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This Month's Cover

INDIANAPOLIS

Drawn, by some irony, as it was seen from the top of Indiana's Asylum for the Blind, the cover view shows the square homes and Hoosier-built picket fences of Indianapolis about 1854. E. Sachse & Company, Baltimore, drew it in colors for publication by J. T. Palmatary. The Grecian-pillared State capitol appears at center; in the foreground a cart crosses the intersection of Meridian and North Streets. The print is reproduced here from the Garvan Collection through courtesy of the Gallery of Fine Arts, Yale University. . . . In 1854 Indianapolis had been a chartered city for only seven years. Its site, chosen in 1820 near the geographical center of the State, was in an unbroken forest and could be reached only by Indian trails. The city was laid out on the wheel-like plan of Washington, D. C., by Alexander Ralston, whose compass and chain helped bound the national capital. . . . Present-day Indianapolis (above) is one of the most important inland cities in the United States, the largest not located on navigable waters. The home-spun rhymes of its poet, James Whitcomb Riley, were the delight of an older generation; today the city is especially noted for a motor speedway. . . . The estimated population of Indianapolis is close to 400,000. U. S. Census figures for 1935 credit it with 67 income tax returns per 1,000 persons. The 1935 value of products of its 710 manufacturing establishments was $222,600,000; wholesale volume, $306,000,000; retail, $139,000,000, or $382 per capita, as compared with the national average of $270.

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for

MARCH, 1940

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¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly, accompanied by check or money order. For prints set off by a French mat 13½ x 14¾ inches ready for framing the charge is $1. For prints mounted and framed, with glass, the charge is $3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found on page 53. . . . ¶ Second cover photograph, Fairchild Aerial Surveys, Inc. Frontispiece photo from Ralph Bauman. . . . Printed in U. S. A.

AMONG FIRST SECURITY BENEFIT RECIPIENTS, A CLEVELAND TINSMITH—ACME PHOTO

SECURITY IS GOOD BUSINESS

ARTHUR J. ALTMEYER

Chairman, Social Security Board

Here the administrator of Federal old-age and survivors' insurance discusses the social security system's operation, its benefits, and paths to its improvement through future amendments. This is one of a series of articles on subjects of unusual importance to business, presenting the opinions of men whose general backgrounds and experience have resulted in decided, and frequently conflicting, points of view.

FOUR hours after midnight, on January 1, 1940, the father of a family was killed in a large Eastern city. His widow and children will receive a monthly old-age and survivors' insurance check, which this year will amount to $72.50 each month. The other day in a small West Coast town, a 65-year-old worker retired. He and his aged wife will no longer have his monthly pay check of $150 to live on, but each month an insurance payment of $45 will come to them under the Federal insurance system.

These are just two cases to illustrate what old-age and survivors' insurance means to those who receive the benefits. These cases tell the story of families which can go on living as families, maintaining their self-respect and independence, because workers and employers have joined together in a national system of insurance protection. Before 1940 they might have had to go on relief within a few months, when savings were exhausted.

Workers are not the only beneficiaries of the system; business benefits too. The purchasing power of the family unit will be maintained. These families will pay their grocery bills and the monthly rent. By 1945 this system will be paying more than half a billion dollars a year to families who need the money and will use it for the purchase of consumer goods.

That such benefits are good for the insured worker, good for purchasing power, and good for the employer need hardly be argued. Employers have long joined with workers in establishing company retirement systems and in stimulating group insurance plans for the protection of workers' families. Arguments advanced for private retirement or group insurance plans apply with even greater force to Federal old-age and survivors' insurance.

Progressive industrial retirement plans were drawn

upon heavily in preparing the blue-prints for the Federal system. Indeed, until the amendments of last August, the program fell far short of the recommendations made by a national employers' association on January 15, 1935, two days before President Roosevelt sent his social security message to Congress.

Current employer interest is directed to the basic features of the social security system. Is it an administratively well-planned, well-run system? Does it pay worthwhile dividends to employers and workers? What is its economic future?

In the administration of old-age and survivors' insurance, the employer is a partner of the Government. Not only does he pay his own tax of 1 per cent on payroll, but he serves in effect as the agent of the worker in forwarding the worker's tax to the Government. At quarterly intervals, when he sends in these taxes, the employer reports the wage which he has paid to each worker. From these taxes, analogous to the premiums of private insurance, the insurance benefits are paid.

Upon both the accuracy and the completeness of the wage reports made by the employer depends the amount of the benefit which will go to the worker on his retirement or to his widow and children in the case of his death.

There are three things which the Social Security Board must have to maintain these wage records as a part of the worker's account:

1. The social security account number. There may be many workers with the same name, but there is a different account number for every worker. Wherever he goes, however similar the names of his fellow-workers, the number will identify his account and enable proper wage credits to be made to his record.

2. The name of the worker. In the highly efficient, mechanized bookkeeping system of the Board, the name double checks against the number to be sure that no error in reported figures will misdirect the credit to another account.

3. The amount of wages paid to the worker. Not only do these reported wages serve the Bureau of Internal Revenue as a basis for taxation, but they are also the basis for figuring the worker's future benefits. Failure to report may reduce the size of the monthly insurance check for the worker or deprive him of a necessary quarter of coverage.

This wage information is basic. Just as the tax is related to the wages, the monthly benefit will be eventually related to the average monthly wage. These are the measure of income for retirement, or the measure of payments to his widow and children when he dies. Workers should keep tab on their accounts. Employers must provide each employee at least once a year with a full statement of the wages reported in his name.

Why this account-keeping system? Isn't it complicated? Isn't it expensive? These questions are frequently asked. In these days they are most frequently asked by those committed to flat pension theories.

We now have had three years of experience and can answer with some assurance. The plan is not unduly complicated. It consists merely of recording, by machine, on permanent ledger sheets, the wages of each worker insured under the system, just as a private company would record his premium payments.

The plan is not expensive. The cost of record-keeping as a single phase of our administrative cost is less than twenty cents a year for each account. In making possible a sound relationship between contributions, wage-loss, and benefits, we think it pays.

There was a time, in 1937, when the first wage reports were made, when the answers to these questions seemed more doubtful. In 1937 more than 7,000,000 wage items were reported by employers without account numbers. We devoted ourselves to an educational campaign on the importance of accurate reporting. In 1938, less than half as many incomplete items

APPLICATION FOR SECURITY—INTERNATIONAL NEWS

On Occasion the Silk Robe and Blue Hood

Wearer of the star-studded key of Phi Beta Kappa, Arthur J. Altmeyer can don on occasion the black silk robe and blue hood which mark you a Doctor of Philosophy. He was born 49 years ago at De Pere, Wis. At the age of 23 he became a high school teacher. In two years he was school principal; in two more, at 27, he became statistician for the Wisconsin Tax Commission. At 29 he was made chief statistician to the Wisconsin Industrial Commission; at 31 he was its secretary.

In 1933 there was NRA, and he became the Assistant Chief, later Chief, of the Compliance Division. A year later his office door read "Second Assistant Secretary of Labor."

Then the year was 1935; Arthur J. Altmeyer became a member of the new Social Security Board. Two years later he was named its Chairman.

were reported; in 1939, the figure was again cut nearly in half. Not only is current reporting well in hand, but during the last eighteen months the backlog of 1937 and 1938 reports have been double-checked in the cross-indexing facilities of the Board and through field investigations with the reporting employers. Today, only a fraction of 1 per cent of the wages reported for 1937-1938 remains unidentified. More than $25,000,000 in claims have been paid on the basis of social security wage records without difficulty.

Identifying incompletely reported or inaccurately reported wage items can be done and has been done. But it costs the Government money. It costs the employer money, and trouble too, when searches of his records are necessary to obtain proper individual wage reports for past years.

Does old-age and survivors' insurance pay worthwhile dividends to employers and employees? Those who recollect the fears of five years ago will want the answer.

Many progressive employers who had retirement systems of their own were skeptical. Some, perhaps, wanted to preserve the competitive value of their favorable position in the labor market that such systems gave them. These have usually found a satisfactory solution. Most of them have adjusted their previous system to supplement old-age and survivors' insurance in an effective way. In nearly every case the net result has been broader coverage, larger benefits, or both.

Other employers had no retirement systems and felt financially unable to erect a satisfactory system in their industry. Many of these have found old-age and survivors' insurance benefits a solid foundation upon which to build very adequate private retirement systems. Private retirement systems have been stimulated greatly since the program was launched.

Retirement benefits go to a worker and his eligible dependents when he reaches 65 and retires. Under the amendments of August, 1939, even workers already near or past the age of 65 may now make themselves eligible for retirement benefits.

In addition to retirement benefits, survivors' insurance extends to the families of workers the advantages of group insurance, without an increase in the costs laid down by the original act. Individual benefits will be nearly as large, and family benefits a good deal larger, than the average of annuities written by commercial insurance companies. Let us examine the benefit structure of the system.

These benefits are based on the average monthly wage during the period the worker was covered by the insurance system. The primary monthly benefit for an insured worker is figured in this way: (1) take 40 per cent of the first $50 of the average monthly salary; (2) add 10 per cent of the next $200 of the average monthly salary (wages in excess of $3,000 per annum are not credited and are not taxed); (3) add 1 per cent

of the total of (1) plus (2) for each year the worker has been engaged in covered employment. A wife past 65 will also be entitled to a benefit equal to half the husband's benefit; so, also, will a child under the age of 18 (table I). Checks continue to go to the beneficiary month after month as long as he lives and is retired. If he returns to work, no checks are paid for his working months.

Survivors' benefits are figured in substantially the same way as the retirement benefits. The widow receives an amount equal to three-fourths the husband's primary benefits on the basis of his wage record at the time of his death; each dependent child an amount equal to half (table II). If there is no widow or child, dependent parents may be eligible for benefits. Total benefits may not exceed double the worker's primary benefit, nor more than $85 a month for any one family.

I. Social Security Benefits for Retired Wage-Earners and Dependents

(Assuming 3 Years of Coverage)

Average Monthly Wage	Wage-Earner's Monthly Benefit	Benefit for Wife Over 65	Benefit for Each Dependent Child
$50....	$20.60	$10.30	$10.30
100....	25.75	12.88	12.88
150....	30.90	15.45	15.45
200....	36.05	18.03	18.03
250....	41.20	20.60	20.60

The twelve regional directors and more than 450 field office managers of the Social Security Board are finding today that industrial managers and personnel directors come to offer their help in the education of their employees. They want to understand their responsibilities under the act. They want their employees to recognize that their social security accounts are valuable possessions.

That is the best answer to the fears of five years ago. American industry has found that the system embodies sound principles of personnel management, just as it embodies sound insurance principles in its financial base. Industry has made old-age and survivors' insurance its own.

What is the economic future of old-age and survivors' insurance? Will it give ground to simpler formulas? What extensions may be expected?

Social insurance, like private insurance, may appear less simple on paper than some other proposals—as for example those which would pay flat pensions. But social insurance has one marked advantage. It is sufficiently flexible to take into account the facts of the American industrial system. The amœba is a plain and logical beast, not nearly so intricate as man, nor subject to many of his ills; but, by the same token, the amœba cannot adjust to many of the situations man can meet in his stride. Social insurance must be adapted to a wide variety of individual circumstances.

Consider the economy in which our social insurance plan must operate. There are sectional variations in wages. There is great variation in individual earning power. There are differences in individual and group living standards and differences in the amount of money necessary to support a given standard in different communities.

What constitutes adequacy? In the working years of life, what is wealth for one family may be poverty for another. The family's community, its standards, the capacity and desire of its members for particular kinds of training or education, the number of dependents, all govern the answer. Who shall choose the standard for all?

Those choices would have to be made under any fixed pension plan. Another difficult choice would have to be made, too, in the appropriation of funds from general tax sources for a flat pension plan. Who would decide as between its claims and those in behalf of public safety, national defense, recreation, and education for children?

II. Social Security Benefits for Survivors

(Assuming 3 Years of Coverage)

Average Monthly Wage	Widow's Benefit	Total Benefits, Widow and One Child	Total Benefits, Widow and Two Children
$50....	$15.45	$25.75	$36.05
100....	19.31	32.19	45.06
150....	23.18	38.63	54.08
200....	27.04	45.06	63.09
250....	30.90	51.50	72.10

Congress shunned such choices. It did not attempt to fix a system for the ages, recognizing that public as well as private business plans must flow out of practical experience. It studied the retirement and group insurance systems of progressive employers. Financing was carefully approached. Contributions were to begin in 1937. Benefits were originally scheduled to begin in 1942. The Board was directed to study the operations of the system and report.

Taxes were set on wages and payrolls so that the plan

would be contributory; a systematic insurance plan anchored to the earning capacity of American workers and American industry. Benefits were related to wages—in the new amendments, related to the average monthly wage—so that the differences in sections, industries, individuals, and living standards would automatically be reflected in the insurance payments. Workers will get the protection, and employers the stability of personnel and purchasing power, which they pay for. Thus, there is a sense of participation and responsibility on the part of every worker and employer, a sense of the ownership of something of value.

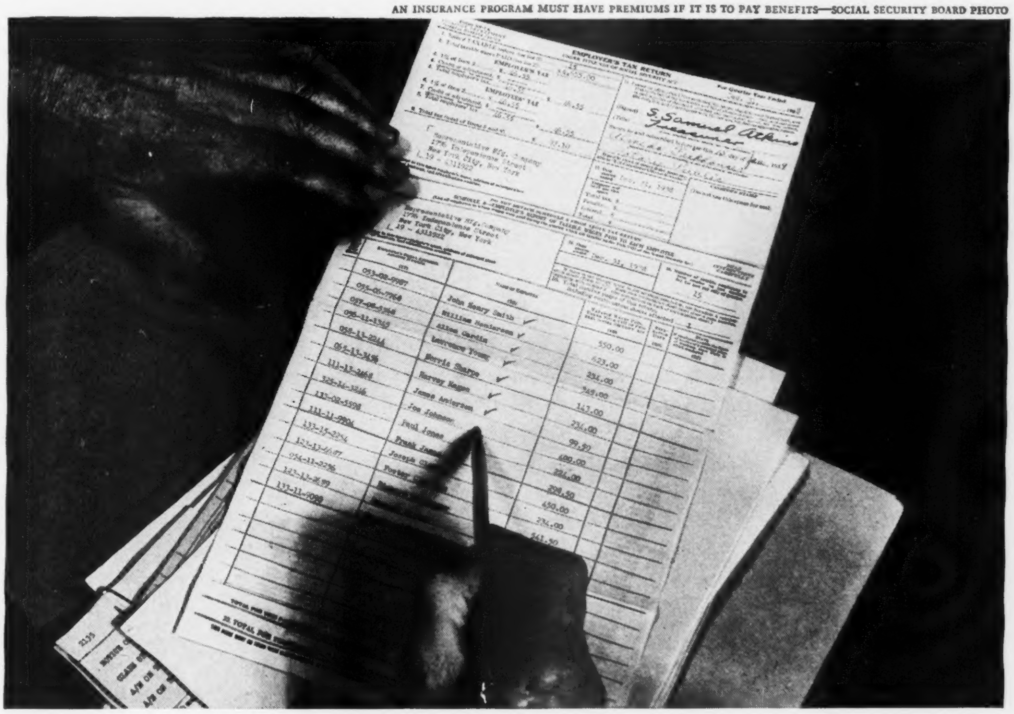
This is a system which, like a well-run banking system, can expand or contract to compensate for the uneven flow of the national economy. One cannot say precisely how many beneficiaries it will have or what it will pay the very first or second year, since there is as yet no detailed body of experience, such as the mortality tables of the life insurance actuary. However, the Board's actuaries are agreed that the total cost of the revised system over the next forty years is probably less than that of the original system. They are also agreed that it is a safer system since the annual cost will not mount as steeply as under the original system.

Just as the August, 1939, amendments have been based on experience under the act, new amendments should come in the same way. Sound as is the actuarial basis of the program, dependable though its administration be, the real guaranty of future stability lies in that method of change. Three years have provided the experience to improve greatly the first law. The amendments of last August make for a tax saving of more than $450,000,000 to American employers through a three-year freezing of taxes at 1 per cent. They extended benefits to dependents and survivors, making this system a broad social insurance program for the family as a group, rather than merely an old-age retirement plan. They authorized payment of benefits in 1940, instead of 1942.

The coming years should see the coverage extended to agricultural workers, to domestics, to many jobs not now covered. They should see family protection extended when the wage-earner is disabled, just as it is now provided when he dies. But whatever future amendments may provide will be founded upon experience, and the files of the Social Security Board will constitute the greatest experience record ever compiled on American wages, the retirement practices of American industry, and problems of family dependency.

Social Security thus is hitched firmly to our American economy, and this is as it should be. Social insurance must be *certain*. It cannot gamble with the old age of workers, the care of their widows, the education of their children. Shorter roads lead not to plenty but to disaster.

AN INSURANCE PROGRAM MUST HAVE PREMIUMS IF IT IS TO PAY BENEFITS—SOCIAL SECURITY BOARD PHOTO



I. Sales Trends for Manufacturing, Wholesaling, and Retailing, 1935-1939

(Figures for 1935 based on Census of Business, 1935; *for other dates,* Dun & Bradstreet, Inc., *estimates)*

	1935	1936	1937	1938	1939[1]
Dollar Volume, in Millions					
Retailing	33,161	37,472	39,992	35,593	38,073
Wholesaling	17,662	20,894	23,154	20,176	21,528[4]
Manufacturing[2]	44,994	53,453	60,710[3]	48,494	57,234
Percentage Changes from Previous Year					
Retailing	..	+13	+6	−11	+7
Wholesaling	..	+18	+11	−13	+7[4]
Manufacturing	..	+19	+14	−20	+18
Indexes, 1935 = 100					
Retailing	100	113	121	107	115
Wholesaling	100	118	131	114	122[4]
Manufacturing	100	119	135	108	127

[1] Preliminary estimates subject to revision.
[2] Does not include railroad repair shops or gas manufacturers.
[3] *Census of Manufacturers, 1937*, complete coverage, not an estimate.
[4] Based on United States Department of Commerce estimates.

SURVEY OF BUSINESS TRENDS—1939
SALES AND INVENTORIES

A PRELIMINARY REPORT OF A DUN & BRADSTREET, INC., RESEARCH AND STATISTICAL DIVISION PROJECT, DIRECTED BY WALTER MITCHELL, JR.

This preliminary report—hastened in the hope that it will aid business executives in making current plans—will be followed in succeeding numbers of Dun's Review *by further, more complete, reports on the Survey of Business Trends.*

COUNTER-ATTACKING with partial success in 1939, manufacturers, wholesalers, and retailers recaptured more than half the ground lost in 1938, as measured by dollar sales estimates from the preliminary tabulation of the Dun & Bradstreet Survey of Business Trends. Though still short of their 1937 positions, manufacturers' 1939 sales were more than 57 billion dollars, 18 per cent higher than in the previous year; wholesale dollar volume increased to 21½ billion dollars, a gain of 7 per cent, and retail sales were approximately 38 billion dollars, 7 per cent greater than in 1938 (table I and the charts on pages 11 and 13). Much of the retailers' gain was made by the motor vehicle and mail-order divisions; excluding these two salients, the rest of the retail front advanced only 5 per cent.

The total trend of manufacturers' sales is pulled upward by unusual increases in two industries: an estimated 60 per cent increase in the value of iron and steel output and a 40 per cent increase in automobile manufacturers' sales volume. Without these two industries the sales increase for other manufacturing would amount to 15 per cent.

The United States Department of Commerce, working with about the same size sample of manufacturers' sales volume, recently released an estimate of 13 per cent sales increase for all manufacturing. It is possible that the early reports reaching Dun & Bradstreet include an exceptional number of successful concerns cherishing some degree of pride about reporting their year's results; but on the

basis of previous experience the wider samples which will be available later will not greatly depress the average. It is a safe conclusion that the increase in manufacturers' dollar sales for 1939, compared with 1938, lies between the 13 per cent and 18 per cent estimates.

Summaries of both sales and inventory histories appear in tables I and II. The figures are presented in three forms: in dollar values, in year-to-year percentage changes, and in index numbers. The sales indexes operate from a 1935 base period, the inventory indexes from January 1936. The base points are a matter of convenience rather than logic. There is no assumption, for instance, that stocks on hand at the beginning of 1936 were "normal." They may have been too low, even in relation to current sales volume at that time, yet no evidence at hand points to any other date as a more logical basing point for inventories.

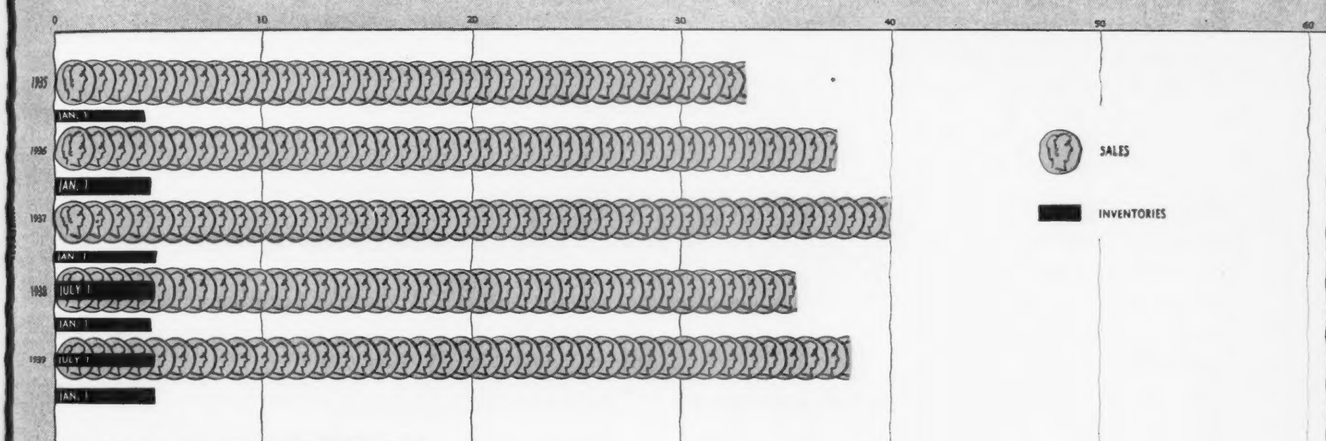
The value of inventories in all three of these fields—retailing, wholesaling, manufacturing—increased during 1939, very largely as a result of a rapid build-up during the second half of the year. This process of accumulation, incidentally, appears from current reports to have coasted on into 1940 on momentum, the result of deliveries of goods ordered during the Fall.

Direct comparison of sales and inventory trends for 1939 should be under-

Sales and Inventory Trends—Dollar Estimates

Manufacturing, Wholesaling, and Retailing, 1935-1939

(*Billions of Dollars, data from tables I and II*)



II. Inventory Trends for Manufacturing, Wholesaling, and Retailing, 1935-1939

(Figures for January 1, 1936 based on Census of Business, 1935, *and* Statistics of Income, 1935; *for other dates,* Dun & Bradstreet, Inc., *estimates)*

	Jan. 1, 1936	Jan. 1, 1937	Jan. 1, 1938	*July 1, 1938*	Jan. 1, 1939	*July 1, 1939*	Jan. 1, 1940[1]
Dollar Volume, in Millions							
Retailing	4,416	4,717	5,033	*4,852*	4,757	*4,985*	4,900[3]
Wholesaling	2,054	2,368	2,543	*2,416*	2,365	*2,426*	2,623[4]
Manufacturing	8,653	9,951	11,851[2]	*10,938*	10,543	*10,406*	11,513
Percentage Change from Previous January							
Retailing	..	+ 7	+ 7	*− 4*	− 6	*+ 5*	+ 3[3]
Wholesaling	..	+ 15	+ 7	*− 5*	− 7	*+ 3*	+ 11[4]
Manufacturing	..	+ 15	+ 19	*− 8*	− 11	*− 1*	+ 9
Indexes, January 1, 1936 = 100							
Retailing	100	107	114	*110*	108	*113*	111[3]
Wholesaling	100	115	124	*118*	115	*118*	128[4]
Manufacturing	100	115	137	*127*	122	*120*	133

[1] Preliminary estimates subject to revision.
[2] The corresponding figure in the *Census of Manufactures, 1937*, is less than this total for January, 1938, by $1,837,000,000. The census covers only manufacturing plants within the United States while Dun & Bradstreet estimates are based on concerns as corporate units, whose inventories may include foreign holdings, goods in warehouse, etc.
[3] Based on the experience of independent retailers only.
[4] Based on United States Department of Commerce estimates.

taken with caution because of the unusual conditions caused by the war stimulus. The analysis has to rest on developments in the latter months of the year. As the figures suggest, the war-scare boom in inventories was primarily a manufacturers' party.

Retailers reported a net increase of only 3 per cent in value of their stocks during all of 1939, whereas they had earlier shown (in the Mid-year Survey) a 5 per cent increase in the first half. The normal seasonal fluctuation of total retail inventories is not known, but it seems likely that the progressive improvement in retail sales volume and a brisk holiday trade possibly depleted stocks a little in the second half-year.


NESMITH AND ASSOCIATES

After remaining almost stationary during the first half-year, manufacturers' inventories moved up by more than a billion dollars during the second half. Supposing, as a conservative estimate, that a little more than half of the nine billion dollar sales increase in 1939 belongs in the score for the second half, the amount would be roughly five billion dollars.

Since manufacturers increase their inventories primarily by purchases from other manufacturers, one-fifth of the added sales during the second half of 1939 could have gone into building up each other's stocks. (As compared with this, the amount passed forward into wholesalers' stocks was relatively unimportant.) Supposedly the other four-fifths of added volume moved on through the channels of distribution toward the stage of consumption.

However, all of the added volume yielded increased payrolls—additional consumer purchasing power—which was asked to absorb only four-fifths of the additional goods produced. Under these circumstances it is not hard to see why the purchasing power kept pace with the goods—and in general reached the retailer just as quickly.

At the manufacturing stage the year-end situation was less healthy. True enough, manufacturers' inventories registered only a 9 per cent net gain during 1939, half as large percentage-wise as their sales increase. But such inventories would be justified only by a continued high level of sales volume, which has not materialized thus far in 1940.

Wholesalers increased their stocks by 11 per cent during 1939, slightly more than would appear justified by the requirements of increased sales volume. Since about three-quarters of the added stocks were acquired during the second half of the year, this increase can be blamed primarily on war psychology. Wholesalers' stocks, as of January 1, seem to have been well above the previous peak level recorded in January, 1938, and a dangerous implication can-

not be dodged. However, it must be remembered that wholesalers normally hold smaller stocks relative to the volume of goods handled than do retailers or manufacturers, and an equivalent percentage increase is less in dollars and less significant as an economic omen.

The Survey of Business Trends is based on voluntary returns of a questionnaire mailed early in January to each of the more than two million business enterprises listed in the DUN & BRADSTREET, INC., Reference Book. Quite naturally most returns come from enterprises long enough in business to be acquainted with the research work of DUN & BRADSTREET, INC., with managements enlightened enough to appraise the purpose and significance of the survey and to desire to check their own progress against the composite results reported by members of their respective trades.

Because of this fact, the survey records primarily the general din of active business, rather than the gurgling of infant enterprise or the moans of the dying. During a period of unfavorable business trends, such as occurred in 1938, a survey dependent upon voluntary returns may fail to include a proper proportion of bad news. However, comparison with other data from trade association and government sources indicates that this year's survey reflects increased sales and stocks in 1939 with more than usual accuracy.

It should not be inferred that this survey is based only on the experience of large publicly-owned corporations; on the contrary, its strength is that it reaches all sizes and types of enterprise.

Big business and little business do not always fare alike and one cannot always be certain which fares better.* In order to steer an approximately true course with a possibly lop-sided ship, concerns have been grouped by size and the experience of each group is given weight based on Census data.

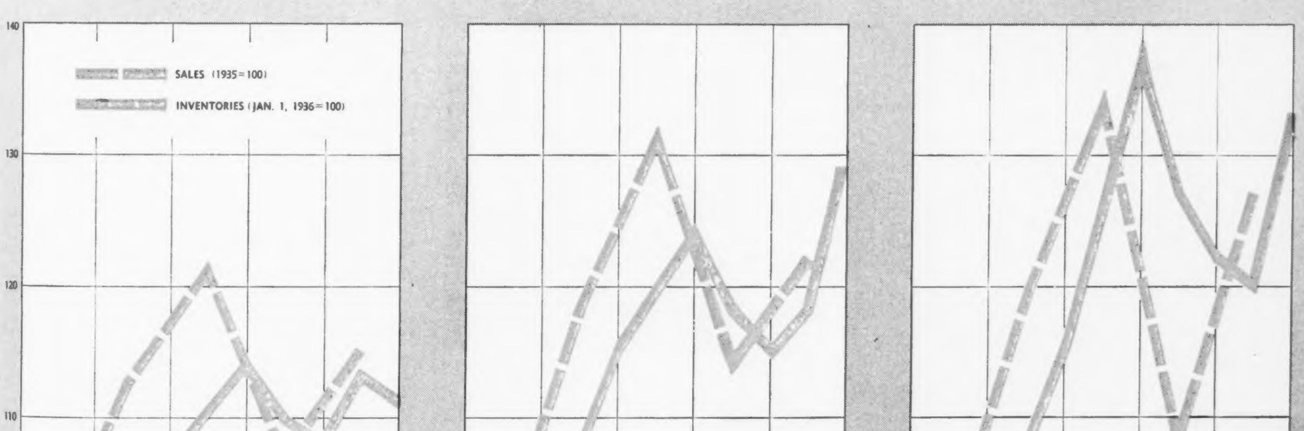
It must be remembered also that business is not regimented to the extent that all lines of trade or industry behave alike. The general estimates of sales and inventory trends for retailing, wholesaling, and manufacturing conceal a vast and varied detail of the experiences of the several industries

* "Profits and Dividends: Big Business *vs.* Small," Edwin B. George, DUN'S REVIEW, January, 1940.

SALES AND INVENTORY TRENDS—INDEX NUMBERS

MANUFACTURING, WHOLESALING, AND RETAILING, 1935-1939

(*Index numbers, data from tables I and II*)



and trades. For manufacturing, the detail cannot be brought into focus at this time, but must await the accumulation of a larger sample of reports. The detailed estimates of wholesaling trends by trades may be obtained from United States Department of Commerce reports. Detailed estimates are presented here only for the larger retail trades where the sample of reports already in hand constitutes a safe statistical dugout. However, the experience of reporting concerns in each industry and trade was given the proper Census weight in compiling the broad estimates.

Certain characteristics of the survey should be remembered in studying the results, for they are at the same time the limitations and the virtues of the job. The survey measures dollars, not tons of commodities or units of goods. The 1939 increase in dollar sales, in most lines, was retarded somewhat during the early part of the year because of price levels lower than those in effect during the latter part of the year. On the other hand, an inventory might conceivably comprise a smaller number of units at the end of 1939 than at the beginning of the year, yet show higher value even by conservative appraisal, because prices in September 1939 carried above price levels in 1938.

Wholesale prices of all commodities averaged about 2 per cent lower in 1939 than in 1938 despite the fact that their sudden upward flight in September caused the price index of the Bureau of Labor Statistics to end the year 1939 about three points higher than it started. To qualify somewhat the sales and inventory trends presented in this report, table III shows the percentage change in the price level from 1938 to 1939 (using yearly averages of the price indexes); also the percentage change from December 1938 to December 1939.

III. Price Trends, Annual and December Indexes, 1938-1939[1]

Stage of Manufacture	Year 1938 to Year 1939 Per Cent Change	December, 1938 to December, 1939 Per Cent Change
Raw Materials	— 2.5	+ 3.4
Semi-Manufactured Articles	+ 2.1	+ 9.0
Finished Products	— 2.2	+ 1.9
Commodities		
All	— 1.9	+ 2.9
All except farm products	— 1.4	+ 3.3
Farm Products	— 4.7	0.0
Food	— 4.3	— 1.6
Shoes	+ 0.4	+ 6.9
Clothing	— 1.1	+ 17.6
Motor Vehicles	— 2.1	+ 1.4
Building Materials	+ 0.2	+ 4.0
Drugs and Pharmaceuticals	— 1.4	+ 2.9
Furniture	— 1.8	+ 1.0

[1] Source: *Wholesale Price Indexes*, United States Bureau of Labor Statistics.

Price data have been confined to those commodities or groups of commodities which are handled by the seventeen retail trades analyzed or are related to the two broad fields of wholesaling and manufacturing.

The price history of "all commodities except farm products" (table III) is the item most applicable to manufacturers' sales and inventories as a whole. For "deflating" the wholesaling trends, the "all commodities" and "finished products" price histories would be more appropriate.

NESMITH AND ASSOCIATES

Naturally these price trend ratios should be used with caution, since they represent changes in wholesale prices and are based largely on transactions between manufacturers and their customers. Retail prices commonly do not move so far or so fast in response to changing economic conditions and are estimated to have averaged about the same in 1939 as in 1938. Subject to these limitations the change in the yearly average level of prices seems the best gauge of how prices may be involved in the recorded dollar sales trend, while the percentage change in prices at the year-end would be more likely to interpret the effect of price changes on inventory valuation.

To the extent that inventories are valued under the common accounting concept of "cost or market, whichever is lower," and to the extent that December 31 stocks were acquired during the previous two or three months, prices during the last quarter of the year are likely to have formed the basis of appraisal. December prices rather than an average for the last quarter have been shown here because relatively little change took place during the quarter. Thus the December basis seems more likely to be related to accepted inventory accounting practice.

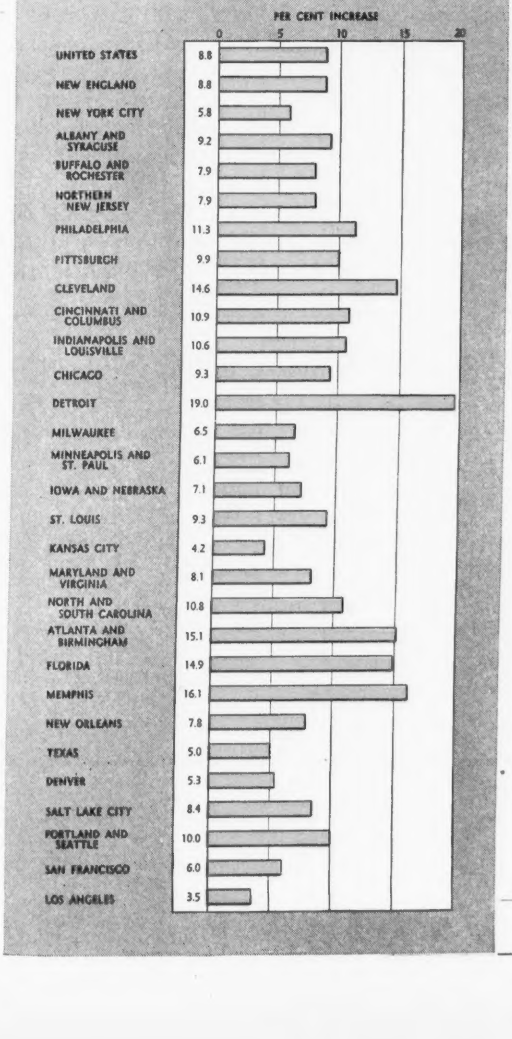
Enough returns have already been received to justify separate estimates of independent retailers' sales in seventeen and inventory trends in sixteen large trades, also estimates of sales trends in five of the several trades where chain stores account for a substantial part of the volume (tables IV, V, and VI). Neither the 7 per cent sales gain of 1939 over 1938 nor the 3 per cent increase in value of inventories during 1939 could be termed a spectacular development in retailing history. As might be surmised from these figures, the retailers who lost ground were by no means in the position of Maine and Vermont in the 1936

national election. Only six of every ten retailers enjoyed increased sales in 1939 and only a slightly larger proportion of them built up their stocks.

One special consideration necessarily enters the interpretation of these retail figures. They are national averages, and business conditions have not been equally favorable in all parts of the country. The business man may logically expect his enterprise to have made a better or poorer showing than the national average for his trade, depending upon local conditions. This is particularly true of retailing, depending as it does on local purchasing power rather than on national or regional markets.

The 29 Regional Trade Barometers, appearing on pages 32-38, serve to bring out the following points: Some areas have had an unfavorable history for the past three years as compared with the national average. This has been true of New England, the New York metropolitan area, western New York, northern New Jersey, and Philadelphia. This prolonged period of relatively unfavorable experience probably cramped or depleted savings. Since the purchase of durable consumers' goods is always partly dependent on savings—even where down-payments are small—automobile, furniture, and household appliance retailers in those areas might well have been satisfied with a sales gain smaller than the national average.

On the other hand, many areas have enjoyed business above the national average for two years or more and in 1939 even increased their margin over the rest of the country. Among these are Cincinnati and Columbus; Indianapolis and Louisville; Minneapolis and St. Paul; and practically all of the Southern States east of the Mississippi — particularly Florida. The Texas and Denver regions show an index continuing above the average of the United States, but a 1939 history that is not noticeably more favorable than 1938.



Regional Trade Trends
1938-1939
(Regional Trade Barometers; see also pages 32-38)

Sales trends for retailers of immediate consumption goods are more likely to be related to the immediate trend of the trade barometers in their respective regions. For this purpose the 1939 average level of each index is contrasted with 1938 in the accompanying chart. In thirteen of the 29 regions the indices rose by more than the United States average of 8.8 per cent, hence drug and grocery retailers in those areas might properly expect their sales increases to exceed the national average. On the other hand, fourteen areas failed to keep up with the parade, and the reverse would be true. Two areas stayed about even with the average.

Retail Trades

Among the individual trades analyzed, several points of interest stand out.

Largest sales gains are reported by motor vehicle dealers, mail-order houses, and furniture stores in the order named, while sales records markedly below the average for all retailers were reported by independent grocers, country general stores, filling stations, and apparel and drug stores (table V). Motor vehicle dealers retain the long distance jumping championship with the perennial durability of a Finnish runnner. The same trade, which recorded twice as radical a loss in sales as any other trade in 1938, now balances off with a 21 per cent increase—about three times as large as the 7 per cent increase for all retailing and more than double the increase reported by any of these seventeen trades except furniture stores and mail-order houses. More than eight of every ten dealers shared the uptrend (table VII).

Chains

The sales increase for chain retailing as a whole is estimated (on a basis of five trades) at the same 7 per cent as the increase of independent retailers' sales (table IV). But dispatches from chain grocery stores report 1939 sales spectacularly better than those of independent grocers. Chain drug stores, on the other hand, appear to have lost ground to their independent competitors.

All of the trades except motor vehicle dealers and department stores report inventory increases of varying amounts. The most marked increase, 10 per cent, occurred in stocks held by farmers' supply stores, despite the fact that prices of most farm products were weaker than most other prices during the year. The cause of this trend is

not known, yet it was remarkably general, with increased inventories recorded by seven out of every ten farmers' supply stores reporting so far. Limited price variety, grocery and meat, furniture, dry goods and general merchandise, and lumber retailers also recorded significant inventory gains during the year (table VI).

Department store inventories actually declined, while motor vehicle dealers ended the year with little or no net change in the amount of working capital displayed on showroom floors and in used-car lots (half of them decreased their inventories). The December-to-December figures, however, hide much of the active life led between months by motor vehicle inventories. Automobile dealers took part in the general two-year spree of inventory accumulation ending in 1937, then disposed of their excess used cars in a vigorous 1938 Spring campaign. They spent the Spring of 1939 building up inventories with the same enthusiasm, but this time demonstrated their versatility by disposing of their excess stock during the second half of the year instead of the first.


CHARLES PHELPS CUSHING

The only sales decrease in any of the trades surveyed reflects a competitive rather than a business trend. Small independent grocers, whose 1939 sales declined by 2 per cent, have for years been losing ground in competition with the combination grocery and meat stores, which this time report a 3 per cent increase. In both of these related trades the individual reports divide into about equal groups of those reporting shrinkages and those reporting sales increases; whereas in all of the remaining trades analyzed—except country general stores—a substantial majority of the concerns pushed ahead.

Since the Bureau of Labor Statistics index of retail food prices averaged 2.5 per cent lower in 1939 than in 1938 (a smaller decline than for wholesale food prices), it would appear that even the small independent grocers handled at least the same tonnage of goods in 1939 as they did before, while the independent grocery and meat stores probably handled some 5 to 7 per cent greater tonnage.

One of the smallest trade increases, amounting to 2 per cent, is reported by country general stores, many of which are slowly starving while their customers motor into the larger trading centers. Half of these concerns lost ground, or at best held their own.

Apparently independent country general stores continued to find it difficult to compete with the chain merchandising of dry goods, general merchandise, and chain grocery stores in the small towns. In contrast with independent country storekeepers' 2 per cent gain in sales is the 11 per cent gain reported by the Department of Commerce for "rural sales of general merchandise." The country general stores, like farmers' supply, dry goods, general merchandise and limited price variety stores, all increased their inventories more rapidly than their sales during 1939.

All of the thirteen variety chains whose figures are available reported larger sales in 1939 than a year ago, and seven of every ten independents did likewise. About three-quarters of the independents also participated in swelling the trade's inventory total by 9 per cent in 1939, one of the largest accumulations among the trades analyzed.

Although adequate figures are not at hand for chain variety store inventories, it is believed in the trade that a number of the large chain organizations anticipated requirements somewhat during the late Summer or early Fall, and finished the year with heavier stocks, though not in such marked degree as the independent variety stores.

According to trade observers, the 4 per cent sales gain reported by the sample of women's shops was a composite result of up and down trends. It is generally believed that furs and small wares sold well, dresses and coats not so well; the net increase shown in these preliminary findings for this trade is better than many observers expected.

Although most prices, especially on woolen goods, moved upward in the Fall, the average price level in 1939

IV. Sales by Retail Chain Stores, 1935-1939

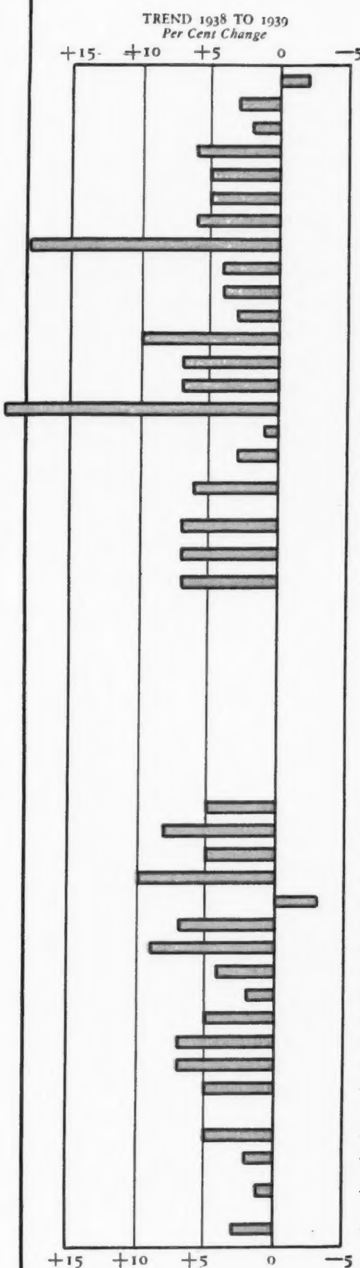
(Based on chain-store reports of annual sales volume)

Trade	Index of Dollar Value, 1935 = 100				Trend, 1938 to 1939	Estimated Value, 1939
	1936	1937	1938	1939	Per Cent Change	Millions of Dollars
Groceries, Groceries and Meat	105	107	104	113	+8	2,808
Limited-Price Variety	109	113	111	117	+5	829
Women's Clothing and Accessories[1]	117	127	119	126	+6	312
Shoes	114	120	116	121	+5	310
Drugs	107	116	112	114	+2	362
Five Trades (above)	107	111	108	115	+7	4,621
All Retail Chains	110	115	111	118[2]	+7[2]	6,785[2]

[1] Includes large chains only.
[2] Based on five types listed above.

V.-VI. Retailers' Sales and Inventory Trends, 1935-1939

(Based on independent retailers' reports)



V. Sales

		Index of Dollar Value (1935 = 100)				Estimated Value, 1939 *Millions of Dollars*
		1936	1937	1938	1939	
— 2	Groceries	106	112	105	104	1,408
+ 3	Groceries and Meats	105	115	110	113	2,850
+ 2	Country General Stores	109	114	104	105	1,169
+ 6	Farmers' Supply Stores	114	122	106	113	674
+ 5	Department Stores[1]	109	113	105	110	2,241
+ 5	Dry Goods and General Merchandise	111	115	106	111	588
+ 6	Limited-Price Variety	119	131	131	139	100
+18	Mail-Order Houses	126	140	135	159	1,180
+ 4	Men's-Boys' Clothing, Furnishings	115	117	101	105	541
+ 4	Women's Ready-to-Wear	114	128	115	121	660
+ 3	Shoes	110	117	111	114	293
+10	Furniture	124	134	109	120	831
+ 7	Lumber and Building Materials	130	143	129	138	1,194
+ 7	Hardware	117	127	113	121	674
+21	Motor Vehicles	130	136	99	120	4,612
+ 1	Filling Stations	116	133	129	130	2,537
+ 3[2]	Drugs and Cosmetics	111	119	116	119	1,090
+ 6	All Other	108	116	98	104	8,646
+ 7	All Independent Retailers	114	122	107	114	31,288
+ 7	Retail Chains (from Table IV)	110	115	111	118	6,785
+ 7	All Retailing	113	121	107	115	38,073

VI. Inventories

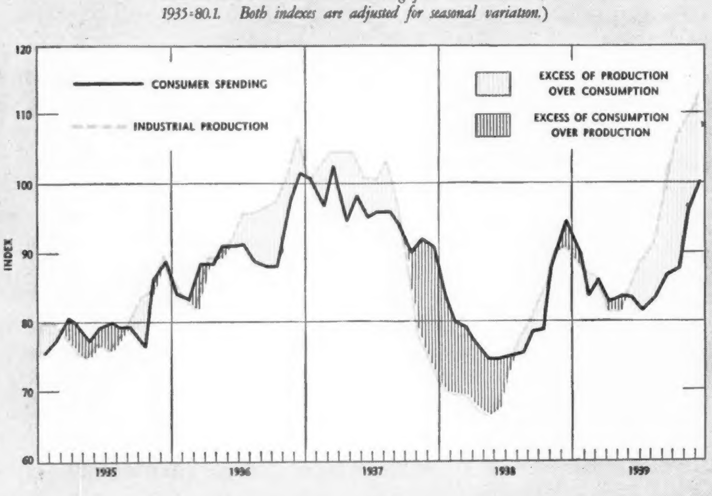
		Index of Dollar Value (January 1, 1936 = 100)						Estimated Value Jan. 1, 1940 *Millions of Dollars*
		Jan. 1, 1937	Jan. 1, 1938	July 1, 1938	Jan. 1, 1939	July 1, 1939	Jan. 1, 1940	
+ 5	Groceries	103	104	105	107	110	112	151
+ 8	Groceries and Meats	103	103	105	102	104	110	198
+ 5	Country General Stores	107	113	113	110	111	115	264
+10	Farmers' Supply Stores	120	127	118	124	120	137	75
— 3	Department Stores[1]	108	104	94	96	100	93	319
+ 7	Dry Goods and General Merchandise	109	116	118	113	115	121	206
+ 9	Limited-Price Variety	104	112	121	112	128	122	13
+ 4	Men's-Boys' Clothing, Furnishings	113	124	122	111	118	115	162
+ 2	Women's Ready-to-Wear	114	125	123	124	129	127	87
+ 5	Shoes	106	116	119	116	121	122	75
+ 7	Furniture	111	123	117	116	119	125	204
+ 7	Lumber and Building Materials	109	120	118	118	123	127	297
+ 5	Hardware	106	115	116	113	116	118	225
0	Motor Vehicles	101	143	118	118	137	119	465
+ 5	Filling Stations	108	117	..	118	..	123	108
+ 2	Drugs and Cosmetics	106	113	114	115	116	118	246
+ 1	All Other	105	106	..	101	..	102	1,179
+ 3	All Independent Retailers	106	115	110	108	113	111	4,274

[1] Federal Reserve Board Indexes. [2] United States Department of Commerce estimate.

was lower than in 1938 (table III). Thus the sales increases reported by both men's and women's apparel stores may reflect an increase in the number of garments handled, probably in excess of the dollar increase. However, because prices were higher during the last quarter and most of the goods held at the year's end were bought about that time, the slight rise in the value of inventory reported by women's shops may represent smaller quantities of goods actually on hand. Similarly the additional inventories which were reported by men's shops may be less substantial in units than the 4 per cent dollar advance would seem to indicate (table VI).

PRODUCTION AND SPENDING SINCE 1935

(Federal Reserve Board Index of Industrial Production compared with the U.S. Trade Barometer starting from a common level, 1935=80.1. Both indexes are adjusted for seasonal variation.)



A somewhat similar story can be told about shoe retailers' inventories. Many retailers stocked up rather heavily during the Fall, anticipating increases in shoe prices. Moreover, as shown by the 3 per cent sales increase in 1939, business was not much better than in the previous year. According to trade reports, many dealers are holding over some of last Fall's stock.

The 10 per cent sales increase reported by this early sample of furniture dealers falls in line with the expectation of trade observers, whereas the inventory increase of 7 per cent was less than had been anticipated. More than three-quarters of the reporting stores expanded their sales volumes and almost as many added more or less to their inventory holdings. It was quite generally believed that many small retailers, particularly in the smaller towns, were stampeded into heavy purchases during the September war scare, and that larger operators with a broader economic viewpoint and better advice did not load up. However, the present survey figures do not indicate a heavy accumulation, and according to trade reports, small merchants still had working capital available to make purchases in the January market.

In view of reports that construction contracts let in 1939 exceeded those in 1938 by 35 per cent, with costs remaining the same, lumber retailers might have been expected to show more favorable sales experience than a 7 per cent gain. The later and more complete tabulation may differ from the preliminary sample. With a 30 per cent increase in shipments and rapid depletion of stocks reported by producers of lumber in 1939, it might be wondered whether the inventory load had been passed on to retailers. However, lumber retailers' stocks apparently advanced no more rapidly than sales volume during the year.

The survey average of 7 per cent sales increase for hardware retailers is backed up by rather consistently similar experience on the part of the individual reporting concerns.

The trends in the motor vehicle trade have already been discussed because of their novel and striking character. An equally interesting story underlies the finding that filling stations, with only a 1 per cent sales increase, built up their stocks by 5 per cent. According to trade observers, only a minor part of this added inventory is attributable to increased stocks of tires, batteries, and accessories.

Winter Anomaly

Mainly it is the result of an anomaly whereby a cold Winter discourages motoring yet has a tendency to put more gasoline on the spot at local filling stations. In addition, it illustrates an interesting case of tail-wags-dog. The chemical necessity of producing gasoline jointly with fuel oil builds up gasoline stocks in a Winter when fuel requirements are heavy. As a storage expedient the refiners relax their cash or load-to-load collection policy, and extend credit to the filling station operator. Thus they utilize the storage capacity of his tanks, built large enough for Summer motoring trade, but ordinarily partly empty in the Winter months.

Because of the exceptionally complete coverage of the retail drug trade by the Department of Commerce, their estimated 3 per cent sales increase in 1939 is published here.

Although the 236 drug stores reporting to date in the DUN & BRADSTREET survey show a somewhat better than

This Fifth Survey of Business Trends

The Survey of Business Trends—1939, from which preliminary findings appear here, will be reported in further detail in future numbers of Dun's Review.

The preliminary estimates are based upon analysis of the first 8,600 usable returns received from a general mailing of questionnaires to every business concern of record on January 1, 1940. They carry forward a series of estimates of annual sales volumes from 1935 to 1939 and of inventories from the beginning of 1936 to the beginning of 1940.

In compiling the average trends for manufacturing and retailing the trend of each industry and trade was separately computed wherever justified by the size of the sample. In making the final estimates each industry and trade was given its proper weight, according to latest available census figures.

The estimates of wholesalers' sales and inventories are those of the United States Department of Commerce. In several trades the Government samples were larger than those which had been received by Dun & Bradstreet, Inc., in time for this preliminary report, and they agreed more closely with the expectations of experienced observers in the several trades.

A project of the Research and Statistical Division of Dun & Bradstreet, Inc., the survey is being conducted under the general direction of Dr. Willard L. Thorp. Questionnaire returns are edited and tabulated under the supervision of Fernley G. Fawcett.

average sales gain, their inventories moved up only about 2 per cent—no more than might have resulted from appraisal at the higher price levels prevailing toward the end of the year. Trade observers were inclined to expect a larger increase in inventories because of reports that many druggists stocked up on pharmaceuticals during the war scare in September. However, the items on which rapid price rises were anticipated are only a small part of the ordinary druggist's inventory and apparently did not strongly influence the total results.

In general 1939 was a year of modest sales gains for wholesale and retail trade. Manufacturing, with seven-league boots and a volatile temperament, dashed far ahead with a grim determination to make up for having been too pessimistic in 1938. The sequence of events is clear in the chart on the opposite page, comparing consumer spending (the United States Trade Barometer published monthly in Dun's Review) with industrial production (Federal Reserve Board index). Production fell more precipitously into the 1938 recession than spending, perhaps because the footing was slippery in the high altitudes above

VII. Size of Preliminary Sample and Per Cent of Concerns Reporting Sales and Inventory Increases, 1938-1939

Kind of Business	Concerns *Number*	Sales Increase *Per Cent of Concerns*	Inventory Increase *Per Cent of Concerns*
RETAILING	5,264	61	64
WHOLESALING	2,276[1]	..	..
MANUFACTURING	1,165	..	..
Independent Retailers			
Groceries	243	47	65
Groceries and Meats	305	52	65
Country General Stores	606	51	63
Farmers' Supply Stores	156	66	71
Department Stores	..	..	..
Dry Goods and General Merchandise	199	61	69
Limited-Price Variety	148	70	74
Mail-Order Houses	4	..	..
Men's and Boys' Clothing and Furnishings	127	61	64
Women's Ready-to-Wear	127	62	65
Shoes	120	62	71
Furniture	186	77	68
Lumber and Building Materials	275	62	68
Hardware	253	61	68
Motor Vehicles	270	84	52
Filling Stations	413	60	60
Drugs and Cosmetics	236	65	59
All Other	1,548	..	..
Retail Chains			
Groceries, and Groceries and Meat	11	82	..
Limited-Price Variety	13	100	..
Women's Clothing and Accessories	5	80	..
Shoes	7	71	..
Drugs	3	100	..
All Other	9	100	..

[1] U. S. Department of Commerce sample.

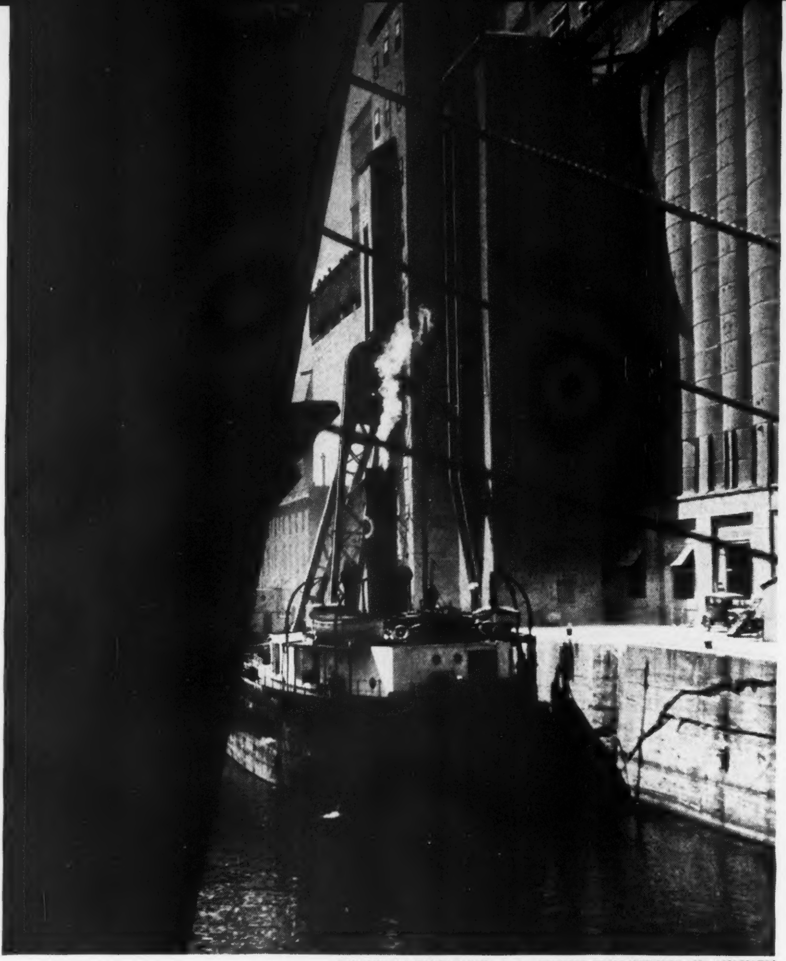
the spending curve. During the latter half of 1938 and the first half of 1939 the two indexes marched together in a rather neighborly fashion, until industry turned upward and achieved a two-month head start over the spending curve.

Insurance?

Quite naturally and inevitably production in excess of consumption builds up inventories. Part of the increase which occurred during the Fall—and probably has continued in 1940—will not have to be liquidated immediately. As a type of war-risk insurance many industries will doubtless continue with larger-than-average inventories for the duration of the war.

Reports since the beginning of 1940 show the production curve has lost its momentum and is now slipping down toward an eventual and inevitable reunion with the spending curve.

If this trend merely serves to adjust production and consumption, it is salutary and to be welcomed. But we must remember that there is some momentum in a down-stroke as well as an upstroke. If the trend continues to the extent of inventory depletion and a dearth of new orders, it can be serious.



EMPTYING A GRAIN BARGE—S. T. PETERSON FROM NESMITH AND ASSOCIATES

The ROBINSON-PATMAN ACT BEGINS *to* ACQUIRE MEANING

EDWIN B. GEORGE
Economist,
DUN & BRADSTREET, INC.

IN the slow unfolding of the Robinson-Patman Act we have been favored with a new variety of Arctic night. The six-month show put on by Nature each year, great and vulnerable though its fame, seems merely puny in comparison with the nigh onto four years of darkness in which the meaning of one of our major laws has been shrouded. Yet through it all, the lifting process has been steady.

There is no blame on that score to be laid at the doors of either the administrative agency or the courts. The job was tremendous. It was on the striking scale that so often accompanies any effort to impose an apparently simple but rigid idea on the immensity and variety of business. In this case the idea—that of keeping price discrimination within reasonable bounds—had to be given a half-dozen radically different forms to keep the most commonplace practices from frustrating it at the very outset of its life.

Among them were restrictions on direct money concessions in the form of discounts on payments and of brokerage; hedges against indirect concessions in the form of advertising allowances and special services. Each of these commonplace practices could in turn throw off permutations and combinations like so many sparks, as the emery wheel of the idea bit into the tough and cross-grained stuff of trade practice reality.

The total effects were calculated (a) to force a corresponding number of entirely separate judicial appraisals and (b) to drive administrators mad. As to whether (b) has equalled (a) is a subject that should be dodged hastily but as to (a) it is true that a pattern of the meaning of this abstract law is beginning to take form. It is strong in spots and still dim in others, and in its rôle of master craftsman the Supreme Court still has to approve or condemn many of the Federal Trade Commission's conceptions. But that is of little *immediate* concern to us. The law is whatever it is as of any given moment, and as of the present a considerable amount of detail stands on the record for our guidance. As a matter of fact, attitudes toward it have already been forced, as in the case of sellers, from an odd form of security in uncertainty to a bald choice as to which they feared most, the law or their customers.

The coverage of the cases to date is easily illustrated by even an incomplete classification of the specific issues with

which they have dealt: validity of contracts in force before passage of act; discriminatory credit terms; uniform delivered prices and basing points; validity of discriminatory contracts (New York State Court); scope of interstate commerce under the act; sales to chain-store units; prices to customers performing both wholesale and resale functions; prices to affiliated companies, parents, or subsidiaries; question of justification because of differences in quality; question of justification because of differences in quantity (numerous); cumulative or retroactive discounts (one of the most populous categories); discounts to branches based on total purchases of all branches; defense of changing market conditions; customer classification; discrimination within communities and between communities; government contracts; prize contests, bonuses, push money, and demonstrators; free goods; forward contracts, definite and indefinite; right of customer selection; the nature of injury to competition; advertising allowances and payments for buyer's services; the furnishing of special services on a discriminatory basis; receipt of unlawful price concessions by buyers; brokerage (most numerous of all; cases have covered both the giving and receiving of "improper" brokerage, the mystical phrase "except for services rendered, and discounts in lieu of brokerage").

It would be preposterous to try to swallow this much in the scope of a magazine article. Yet here and there momentous decisions have been reached that in their slow way might make stray parts of the American distribution system over.

We certainly have nothing like the *sweeping* changes in that system that some of this measure's more fanatical sponsors hoped for, but neither do we have quite the same sort of liberty and license in pricing policies that the more violent opponents regarded as sacred. In its own staggering way the law as it has come out of judicial assembly plants has followed the middle of the road.

It is to the exceptions making up the stagger that our eyes are drawn, although in saying such things we must keep in mind that exceptions from what we regard as proper and normal are not private economic decrees of Commission and courts, but simply their professional beliefs as to what the law as written seems to require. At any rate, except in the case of brokerage, extreme advertising allowances, cumulative discounts, sales to branches or units of large distributors, and delivered prices, the weight of the Robinson-Patman Act seems to have fallen only spottily on commonplace practice. Our attention naturally falls upon these departures.

"Injury to Competition"

In the Kraft-Phœnix case, which was dismissed, the Commission officially noticed that there had been no particular loss or diversion of trade to favored customers because of the complained-of price discrimination—one of the crucial points in the old Goodyear case. Of great importance, many other practical factors were found to be more important than the acknowledged price discrimination. The favored competitors might have had better locations, better facilities and methods. Profit margins of retailers discriminated against were apparently adequate. They did not have to sell at a loss, although they may have taken smaller profits.

In the other direction, however, the Commission has been inclining to the view that injury can result even though there has been no price cutting by the buyer who received a generous price differential. The argument is that he could have accomplished the same destructive purpose by spending it for advertising or better delivery service, or for general building of the prestige of his house.

At any rate we have advanced somewhat beyond the original dilemma of locating injury somewhere between the loss of a sale and a petition in bankruptcy. The Commission has repeatedly found such injury, under diverse circumstances, not only between manufacturers' big and small customers, but between manufacturers as well. As injury to competition is one of the major tests in the act, the law is almost meaningless until that particular concept has been spelled out. It should also be a healthy sign, in the eyes of both the law's well-wishers and ill-wishers that so many cases have been thrown out because of lack of injury to competition. Far more complaints have been dismissed generally than have come to trial.

Cost analysis has of necessity been at the heart of more cases than most of the other unknown quantities in the act. In this area the Commission has seldom hesitated to recognize that price differentials can usually be justified by proof of definite cost savings in manufacturing, selling, or delivery. It is quite clear that lower advertising costs and general sales expense, fewer salesmen's calls, non-use of branch warehouses and merchandising service, and credit expense by large buyers, can all properly be reflected in lower prices. Familiarity with the reasoning in the Standard Brands case can be of considerable value to the man responsible for keeping his company's business in line with the act.[1]

Of importance from an accounting standpoint, the respondents have not been required to endow each penny of expense with a personality of its own and trace it down to its last resting-place. The other side of this coin, however, is that for safety's sake cost accounting must be much more detailed than has ordinarily been the case.

Furthermore, an awkward shift must be made from the categories ordinarily set up in books and statements for purely operating and financial purposes, to categories based upon an extensive allocation of overhead to different functions and customers. Picture

[1] An exhaustive analysis of this case has been made by Professor Herbert Taggart of the University of Michigan.

your embarrassment if your fate at court happened to hang on your ability or inability to justify a price spread of 1 per cent on a single popular line by proven differences in cost.

One of the significant aspects of the Brill case lay in the tremendous leverage that was assigned to small differences in accounting method in the case of products on which profit margins were very small. In this case the rebate allowed by the respondent company to the A&P was only 2¼ per cent. This was considered more or less colossal by the Commission when laid alongside the fact that profit margins on fast moving lines in this field are often as small as 1½ per cent or 2 per cent. Penny shaving justice of this sort could mean that a flip of the wrist in swinging sales and advertising cost or plant overhead or shipping costs from one type of customer to another could make the difference between law breaking and law abiding. Distribution cost accounting may be a young science, but it seems to be in for some forced growth.

The brokerage issue is almost a logical paradox. The act *can* be construed to say that sellers can take all savings into account in their pricing unless the item saved happens to be brokerage. In the Biddle, Oliver, and A&P cases precisely that was said, and the Courts have approved.

Functional Discounts

Nothing needs to be said about trade or functional discounts save that common expectations have been fulfilled. The Commission has consistently dismissed complaints based upon the granting of lower prices to wholesalers than to retailers on the ground that there was no injury to competition and therefore no violation of the act. It has balked, however, at the promiscuous giving of jobbers' prices on all of the purchases of the wholesaler who sold also at retail.

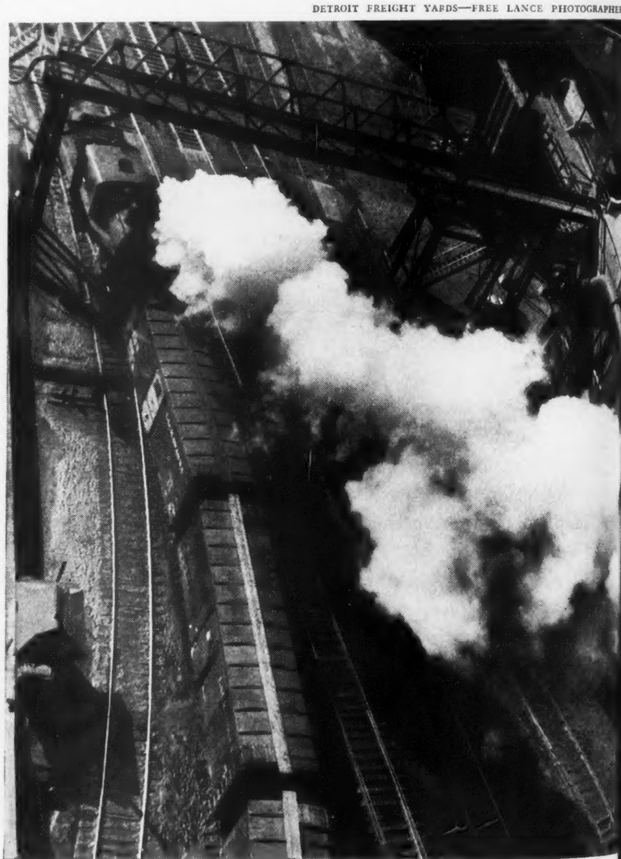
The Commission has been very firm in its disapproval of unequal distribution among customers of such concessions and selling aids as advertising allowances, push money, and demonstrators. It also inclines to regard push money and demonstrators as harmful restraints on competition under the old Federal Trade Commission Act as well. And cosmetic manufacturers in particular are still worried about their possible liability under criminal laws should they dissect their gentlemen and lady demonstrators and distribute the parts among all customers on proportionately equal terms.

In the field of advertising allowances there has been a tendency in the affected trades to set up standards of promotional service for which all would be paid to the extent of their ability to perform. Business objections to paying as much for a store window in Huckleberry Ridge as in Times Square are as firm as ever. Cases involving most of these points have been passed upon by the Commission, and before long bits of appropriate wisdom ought to be coming through the judicial rollers as well.

The subject of interstate commerce is too fascinating these days to withhold a brief word on what is being done to it under the Robinson-Patman Act. The ancient gray walls of this legal concept have been pierced so steadily in recent times as almost to amount to riddling. The wage and hour administration has advised all manner of business men, in the interests of safety, to consider that their operations lie within the coverage of that act, regardless of how parochial they might think themselves to be.

The Robinson-Patman Act has now contributed a further bit of stretching through the Kraft-Phœnix case, where the impression given is that the Commission was hooking its trade-practice caboose onto the Jones and Laughlin labor case and was prepared to stretch the interstate commerce clause to the limit to keep check on selling practices wherever they might go. This, of course, has significance far beyond the Robinson-Patman Act. It is still true that a company cannot be reached if its business is exclusively intrastate, but no one can be too sure that the line of interstate commerce has not slipped since he looked last and left him outside, henceforth enviously to look in.

DETROIT FREIGHT YARDS—FREE LANCE PHOTOGRAPHERS



PREPARING FORM FOR CASTING—A. L. SOZIO FROM NESMITH & ASSOCIATES

Another very gripping drama on price is being staged on the question of basing points and delivered price systems. One of the most striking developments to date has been the persistence of the Commission's efforts to bring such systems within the act's purview, despite what has generally been regarded as the firm intention of Congress to defer action on this matter until a vague later day. This has long been one of the Commission's pet passions.

Cumulative Discounts

One of the rulings that raps most sharply on commonplace practice is the one that classifies volume, cumulative, or retroactive discounts as promotional rather than earned allowances. To be explicit, if you offer a customer a certain extra discount if he buys such and such a quantity by the end of the year, it won't stand up unless savings can be shown on the *individual* sales and shipments that were not fully recognized in the price originally charged.

In its language the Commission has made it rather plain, not only that it believes such earnings to be unlikely of realization but also that the practice is marked by self-delusion on the part of sellers and imposes an unfair handicap on the competitors of buyers. The bellwether case in this field is the Brill Company case. The adverse decision there was embroidered in the similarly adverse orders against the Master Lock Company and the Simmons Company. Let us look at some of the reasoning:

In the matter of H. C. Brill Company, Inc.: "Large wholesalers and chain retailers often obtain concessions in the form of cumulative discounts in the belief that their transactions, in proportion to the amount purchased, are fewer in number, take less of the time and attention of the seller, and cost the seller less. However, when such a belief is not supported by the facts the conclusion obviously is erroneous and an offer predicated thereon discriminatory. There is no certainty and scarcely any probability that the business of the buyer who purchases from five to ten thousand dollars in the aggregate of merchandise within a year will cost the seller more or less in proportion to quantity than the business of one who purchases more than thirty or less than five thousand dollars."

In the matter of the Master Lock Company: "The additional discount of 5 per cent offered by the respondent to customers whose annual purchases generally exceeded $10,000 was apparently predicated on the belief that the orders received from this customer group were both larger and fewer in number, in proportion to their purchases, and therefore cost the respondent less per dollar of sales to bill, pack, and ship, than the orders received from customers whose annual purchases usually amounted to less than $10,000.

This belief, however, is frequently not supported by the facts. On the contrary, not only do customers in the last named group frequently place a smaller percentage of orders amounting to less than $5 each than do the customers allowed the additional discounts, but they frequently also place a larger percentage of orders exceeding $100 each than do customers accorded additional discounts. Further-

more, the average size of the individual order received by sellers from customers granted an extra discount is frequently less than the average size of the individual order received from customers not granted that discount. . . .

". . . In the instant case there is no evidence . . . that it cost the respondent less per dollar of sales to make shipments to the first named group than to the group last named."

Syndicate Buyers

In the Simmons case this hostility was extended to the custom of regarding units and branches of a distributing corporation as a single customer (which had already been disapproved in other cases) and to the granting of cumulative discounts to members of buying syndicates on the basis of aggregate purchases. The Commission is obviously depressed by its finding that "The advantage to the customers of Simmons who purchase at the lower prices may be reflected not only in price cutting but also in an increase in service, sales effort, sales appeal, and in other ways that injure or tend to lessen competition with them, all of which operate to the disadvantage of the customers against whom these discriminations are employed."

Also: " . . . Manufacturers *competing* with the Simmons Company could not obtain a part of the business of a central organization receiving the discounts *even by offering an equal price,* but must offer a sufficiently *lower* price to compensate the central organization for loss of the discount on that portion of its requirements which it had already purchased or which it might be compelled to purchase from the Simmons Company."

There are other cases and other angles. In the U. S. Rubber case the result deplored was injury to the competitors of favored buyers; in the American Optical case it was injury to other sellers. In that case as in a few others the price differentials allowed on different quantities were regarded as reasonable and proper in the case of individual sales, but nevertheless lost all their virtue when projected cumulatively. It was complained against Curtice Bros., among other things, that its price classifications were *not made known to all customers,* amounting to another form of discrimination even if prices were right. This case incidentally, was not a typical cumulative discount case as the order for the year ahead was firm. There was an appearance of approval of such concessions in the Kraft-Phoenix complaint, which was dismissed, but they amounted in fact to little more than an alternative to straight discounts and actually shrank some of the price disparities in the regular schedule. The order to the U. S. Rubber Company and subsidiaries to discontinue its big bonuses on private brands suggested a throwback to the Goodyear decision, in which a similar conclusion was reached under the old Clayton Act.

So the story unfolds, shimmering like rhinestone with its shifting and flickering details, each detail asking sellers and buyers to make a change in some deeply fixed private habit or trade custom, all of them together proposing a new plane of competitive relations in the matter of price.

Cumulative discounts are probably not violations *per se;* but they might as well be, because normally their only justification must be found in the justification of simple quantity discounts on individual orders. Sellers may keep them as long as they are careful to remove the reason for them, assuming that to be a species of inducement to buyers.

The economic case for and against cumulative discounts is, of course, extremely interesting, even though in view of the Commission's possible feeling that the law did not provide for them, it may be wholly academic. Nevertheless, we are not a nation to resist having opinions.

The argument that is most likely to appeal to sellers is that customers taking a large annual volume are entitled to special treatment on grounds that have little to do with relative costs and profits on their immediate business. The volume was vital to the planning of plant operations, to the size and well-spaced purchase of raw materials, to the disposition of labor resources, and to the most advantageous spreading of production over the year in order to minimize operating peaks and valleys. Of course the question will arise here as to whether such scientific planning is possible unless firm orders for the total volume to be sold within the year are placed in advance and in time for any such plans to be made.

The probability in fact is that in a large number of cases the volume on which cumulative discounts are eventually granted happens because it finally happens, and could not be relied upon in advance. The really critical type of case is that in which the manufacturer is selling to old and reliable customers, who have somehow or other succeeded in turning in that approximate volume for years on end, and who can therefore in all reason be expected to do so again. Those are the customers upon whom the well-being of the business largely depends. They are its core and heart, around which the fluctuating patronage of other customers may rise and fall like ordinary fortune without checking the heart-beats by which the business is kept alive. The more intimate the relationship between buyer and seller, indeed, the less formality is it apt to involve in the shape of legal documents, whereas the emphasis of the law is on documents rather than on confidence.

The Case Against

The opposition demurs to these arguments twice, first on the ground that annual volumes from customers are not often predictable and second, that the inducement itself is not of an economically sound character. It is argued that cumulative discounts tend to tie customers to the business when it is not in their interest to be so tied, and when it *is* in the interests of our ideal of free and fluid competition that each buyer

ST. LOUIS, MO.—CHARLES PHELPS CUSHING

should be privileged to buy wherever he wants when he wants to.

A more formal statement of the point is that they tie up orders received late in the year to past executed transactions bearing no proper relationship to the sale currently being made. And another embarrassing view which manufacturers themselves may recognize is that bonus discounts are sometimes given principally because the buyer is strong enough to compel them; or because the exigencies of the seller were such as to cause him to weaken, to the injury or distress of all sellers in his industry perhaps, and certainly to that of such of his customers as are obliged to compete with the *particular* customer who has been able to extract this pound of flesh.

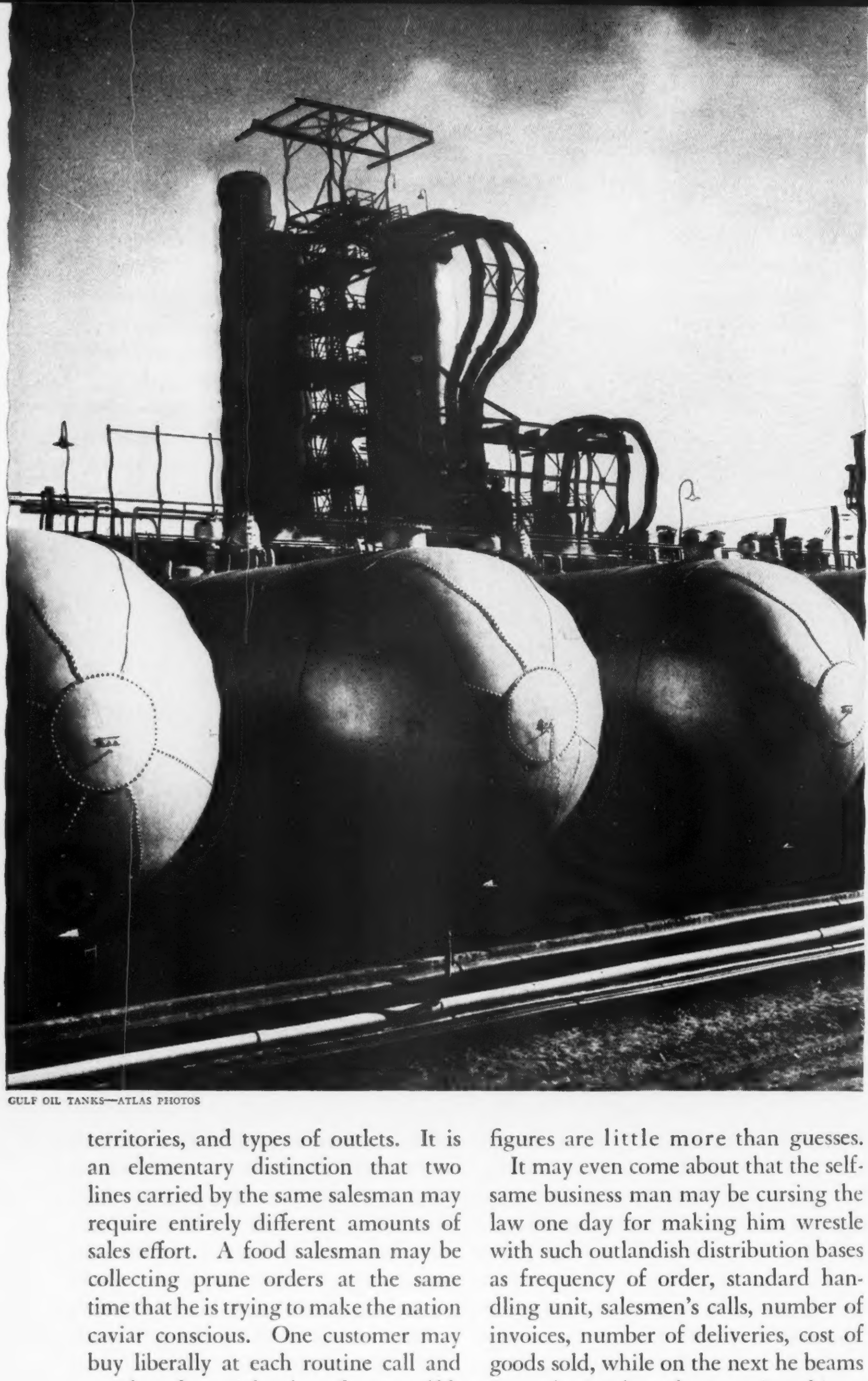
If a seller should argue that his year's business is virtually salvaged by a certain large order taken at low profit, both his competitors and his other customers can retort that theirs have been jeopardized or at least badly hurt. Melodramatically, a business life is saved at the expense of other business lives. Now of course the same result will often follow development of the plainest kinds of successful competition, so that the melodrama really cools down to the vague question of whether, with respect to this particular practice, a larger number of efficient operators is preserved by the intervention of a law or by letting events take their course.

Obviously, business men have got to know more about costs—unless they are going to adopt uniform prices—or offer a few timid discounts that will satisfy nobody—or drift along with tide and custom and take their chances with the law. Those are free choices and each can make his own. But what are the implications of the law for current accounting practice? What it really would have us do is to convert accounting techniques, designed to keep individual businesses in sound running order, into the regulator of a new theory of social good, and it was never meant for that kind of a job. Therefrom arises most of our troubles. We are all but entering into a national phase of cost accounting by shotgun.

Stock Merchandise

With respect to made-to-order goods the problem is not so difficult, because the sale is made in advance and so many of the costs are direct. But with stock merchandise it's a different story. Production costs are behind you, and can rarely be differentiated as between customers. For justification of differences in price the search has to lead into the wilds of distribution cost accounting. No matter if the same truck hauls half a hundred distinct products, or a single salesman sells a thousand of them, or a single call on one customer produces the same amount of business as six calls on another, or advertising is intended merely to popularize the general line or the house name. A system must be found that will debit each customer with the share of all this tangle of expense for which his business is at least *approximately* responsible. Total expense categories that are good enough for income statements and balance sheets are only raw material for cost appraisals on a quantity and customer basis.

And in fact we do know that there are usually sharp differences between the costs of serving various customers,



GULF OIL TANKS—ATLAS PHOTOS

territories, and types of outlets. It is an elementary distinction that two lines carried by the same salesman may require entirely different amounts of sales effort. A food salesman may be collecting prune orders at the same time that he is trying to make the nation caviar conscious. One customer may buy liberally at each routine call and another place trial orders of one-twelfth of a dozen after each score of promotional calls. These are the variations of every business, and they are all reflected in true unit costs. They are far too minute for shirt-cuff accounting and yet too broad to be ignored. They are crudely reflected of course in customary product price spreads, quantity discounts, and so forth, but many of these figures are little more than guesses.

It may even come about that the selfsame business man may be cursing the law one day for making him wrestle with such outlandish distribution bases as frequency of order, standard handling unit, salesmen's calls, number of invoices, number of deliveries, cost of goods sold, while on the next he beams upon the results as having given him a blinding new vision on how to make and lose money.

Nevertheless we are not yet there. Despite the rash of distribution cost accounting with which the distribution trades have been successfully breaking out over the past ten years, the great run of business men have looked upon it curiously as they would upon newspaper stories of the discovery of a new microbe. It is truth, but they feel that it is too remote or technical for them personally to do much about it. An increasing number in recent years have tried or would like to make a start. The new law seems to require one.

Increasing Insistence

At any rate, as the terms of that law are filled in by the Commission and the courts, we are aware of an increasing insistence that we take a position with regard to those terms. One position of course is to continue to rely upon a plea of inability to understand them. In the beginning that plea had considerable strength, not technically, of course, but as a claim on administrative sympathy and tolerance. Ignorance was broad, including both intent and application.

But intent has now been made fairly clear, many very specific acts have been carefully singled out and called offensive. Only the means of avoiding the offense—explicitly, the technical methods of allocating cost that judges would approve—remain unclear. And even that defense is thin, logically now as well as legally, where the seller knows very well that his price spreads are grotesquely out of line with any possible differences in selling costs, as in the Hollywood Hat case.

But we may as well be cool and collected enough while we are still in the talking stage to consider, first, the consequences of not trying, and second, the types of effort available to us. As to the first, we're probably not going to jail—unless we blunder in the orbit of the separate Borah-Van Nuys Act and the prosecutors choose to impale us on that rather than lead us kindly back into the character of an offender under the Robinson-Patman Act before striking. And it would be genuine chivalry on their part, because the blackjack in that jurisdiction has better padding and the fall is softer. Which means principally that the Federal Trade Commission so far is trying to be firm rather than savage, and that convictions there

normally take the form of an order to quit doing something, rather than of a fine or jail sentence.

One might, of course, be told to quit doing more than he ever thought was involved. He *could* be nailed for treble damages, but only after adverse judgment in a private suit. An official complaint would always involve legal expense and unpleasant publicity. It would be possible to save a little money by accepting a stipulation without going to hearing, but in any event one would have to be careful to install and conform to one or another of these newfangled costing systems before some one caught up with him again.

Suppose now that we really want to face the problem, if only on the grounds that it must be done sooner or later, and that if a reasonably simple method can be evolved it will be good business anyway. The essence of the problem, again, will be to determine to what particular lines of merchandise and customers the wild horses of overhead distribution costs should be hitched. Here are a number of suggestions:

A company's present cost accounting system, no matter of how long standing, will not necessarily be accepted by the Commission. Possibly it doesn't have one anyway, to the extent of showing how much executive or shipping room expense to apply to different quantity brackets. It is even likely to be an exercise in futility, however gallant, for a company's accountants to decide all by themselves what kind of cost allocations the Commission ought to like, when in the particular circumstances it may not know itself.

Request for Aid

There remains then, still in terms of private action, a request for assistance from the Commission itself. The Commission is perfectly aware that cost spreading theories are a pretty heavy hammer with which to reshape the delicate bric-à-brac of long established trade practice. And of course the Commission has not offered any cost spreading system of its own for business guidance. It has merely rejected most of those that have been offered. So one may have something to gain from a front-door approach to his potential adversary, if only in the effort to keep it merely potential.

Cost Committee

An industry committee always offers possibilities. Many an industry already has one operating in the cost accounting field, capable now of lifting its eyes above the routine uses of balance sheets and of developing a series of suggestions on reasonable means of spreading overhead and joint costs to their own end uses. The maximum aim would be no more than a practical *approximation* of item or even quantity costs. It would have to lie somewhere between perfect disclosure and meaningless totals or averages. That committee might do the calling on the Commission. But because of other laws the committee's recommendations should in no sense be binding. And even an expression from the Commission's economists and accountants would probably have to be unofficial.

Unquestionably, an inter-industry committee of cost specialists is needed to explore and experiment with principles for the general benefit of at least a million potential law-breakers. It could not give you any tablets of stone, for industrial variations are too great.

MECHANICAL LOADER IN A WEST VIRGINIA COAL MINE—CHARLES PHELPS CUSHING

It could at least compile the results of such experience as there has been, from which executives in individual industries could pick out case studies most closely reflecting their own problem. Such a committee could even work with the Commission itself at a research level, with the strict understanding of course that the Commission need not consider itself bound to any particular course in any particular case.

Panel for Counsel

It might be even preferable for a panel of recognized students of cost allocation to be established, upon which the Commission could draw for technical counsel even in the course of its official examinations before or after issuance of complaints. This is the Commission's business, but there is nothing to stop the representatives of co-operating industries from making suggestions.

Returning to a single company's own private pill-box, when price spreads are *obviously* inconsistent with cost spreads however arrived at, it is always free to scrap them and start over—unless its business life is so dependent on extravagant discounts to special buyers that it prefers to keep on living until its official number comes up. The mystery element in cost allocation can be overplayed. The naked eye is not so feeble as the scientific jargon sometimes makes it look, and everyone has seen price concessions so big that they looked like a blackout of everything else in elaborately kept books. The man making them could have used an axe on his price-list instead of sharpening his pencil. Scientific conclaves would be a sheer waste of time on that kind of case.

On the whole however, there is hardly any practical objection to the notion of trying to crystallize our collective knowledge and experience with distribution costs. It would be sensible even in the absence of a provocative law. Too often, under the pressure of competition and our own changing moods, we have built so tortuous a distribution and price system that when we go into it ourselves we have to tie a string at one end to find our way out again.

Many a man's face is red when some one asks him what his prices really are (if he reflects on all the doo-dads that sometimes go into a quotation), how they relate to his corresponding costs, where he really makes and loses money, and what might be the real value of the endless special services he gives and receives in the course of selling a pound of nails.

Our selling controls—even though not our selling skill—are far behind our industrial controls. In the timeless and benevolent kind of war that American business men have always waged for higher and higher standards of good and secure living, some of our merchandising techniques must be brought forward if we are to wipe out the dangerous salient left by our unparalleled industrial advance. Better cost analysis is a detail that by mere chance happens to coincide with our need for protection against a difficult law, so that there is considerable argument for picking it up now.

At any rate the task will not be as startling as the argument once used on behalf of ten middle-sized buyers against the discounts given a competing mass distributor because the latter's credit was so good. The argument appeared in a mock trial staged by the Sales Executives Club of New York soon after the passage of the Robinson-Patman Act. The middle-sized buyers were represented by a character named Mr. Sturdy, and his rival's name was Mr. Colossal.

Big and Strong

The manufacturer was explaining to Sturdy that Colossal was big and strong, and always paid his bills, and that therefore he could give him a lower price. Sturdy's reply ran something like this: "Well, don't I always pay my bills, and haven't I been doing it for twenty years?" And the implication, of course, was: "Now if you're going to carve up all the little services and facilities needed for running a business, and charge each customer for the exact fraction of them that his orders are responsible for, why buy a slide rule and go ahead and do it, but don't pull a pious face and exempt one good man while socking ten other good men with the cost of all your mistakes." The plain business fact is that all the good customers pay for all the bad ones, and there can obviously be no justice in picking out certain good ones on whom to place the burden and letting the others go scot free. That would be like saying that credit losses should be charged only to those customers who didn't pay their bills. Which would bring you out to some conclusion like this:

No Losses

Big buyers shouldn't bear credit losses because they pay their bills.

Most middle-sized buyers also pay their bills so it is not fair to charge them with credit and collection expense either.

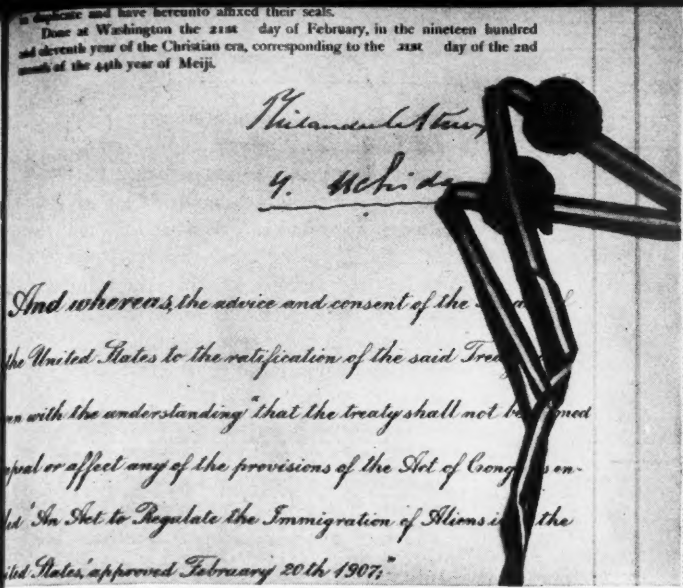
The bad ones ought to pay because they caused the trouble, so the solution is to keep on billing them wherever they go.

Inasmuch as the bad ones are held perpetually responsible there never can be any credit losses, so what's all the shooting about?

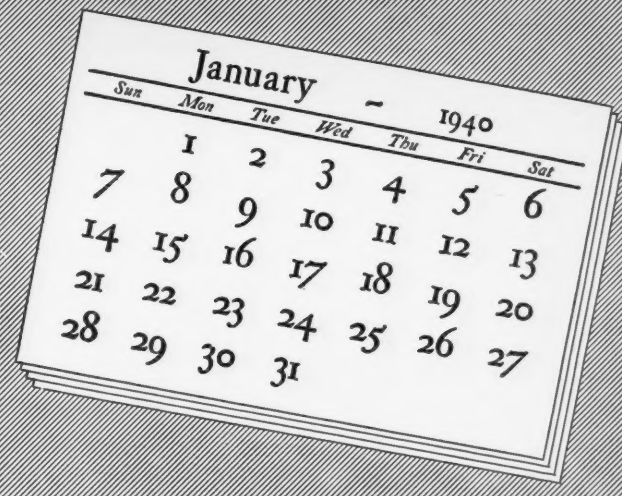
It is unlikely that we shall ever have to be so refined. The deep resisting power of human nature would probably manifest itself before that extreme was reached, law or no law. But there is a mood in American business calling for closer scrutiny of cost realities in distribution, and it was not only a law that put it there.

Perhaps the truth is that one of the future phases of the most sustained and magnificent pageant of progress the world has yet seen is beginning to take form. For our mental satisfaction, we can continue to be irritated with a law that in spirit just fell short of being fanatical; in fidelity to the tradition of American business, we may find a way to extract the good that is in it.

BUSINESS DIARY



NO LONGER OPERATIVE, THE U. S.-JAPAN TRADE TREATY OF 1911—PHOTO BY HARRIS & EWING



Event of the Month

United States allows trade treaty with Japan, operative since 1911, to expire, which obliges business to be conducted with Pacific Empire on day-to-day basis.

During the Month

Southern United States, northern Europe, and China suffer cold wave. . . . Labor unions urge Wagner Act revision. . . . Congress attempts to trim domestic budget.

1 Not merely New Year's, but the beginning of Leap Year and a new decade. Southern California, Texas A. and M., and Georgia Tech are victors in the Rose, Sugar, and Orange Bowls.

2 Supreme Court rules only "final orders" of NLRB are subject to appeal; rejects A&P petition to review ruling against alleged violation of Robinson-Patman act. Federal Court of Appeals in Washington declares SEC may publish information supplied by corporations registering securities.

3 Third session of Seventy-sixth Congress assembles. Stocks reach best levels since October. Federal Reserve Board of Governors announces amendment of rule on interlocking bank directorates, effective February 1. San Francisco 54-day shipping tie-up ends.

4 President submits to Congress $8,424,000,000 budget for 1941; nominates Attorney-General Frank Murphy as his fifth appointee to Supreme Court and names Robert H. Jackson as Murphy's successor.

5 Hore-Belisha out as war minister in British cabinet shift.

8 Emil Schram nominated by Roosevelt as RFC chairman for two-year term.

9 NLRB order in Inland Steel Case reversed when U. S. Circuit Court of Appeals, Chicago, says employer need not sign written agreement with labor union.

10 Associated Gas & Electric Company files bankruptcy petition. New York Stock Exchange adopts service charges on brokerage accounts, effective March 1.

15 Federal grand juries in Chicago and New Orleans issue indictments against building industry.

16 Government sues Bethlehem Steel for World War I profits.

19 Senator William E. Borah dies.

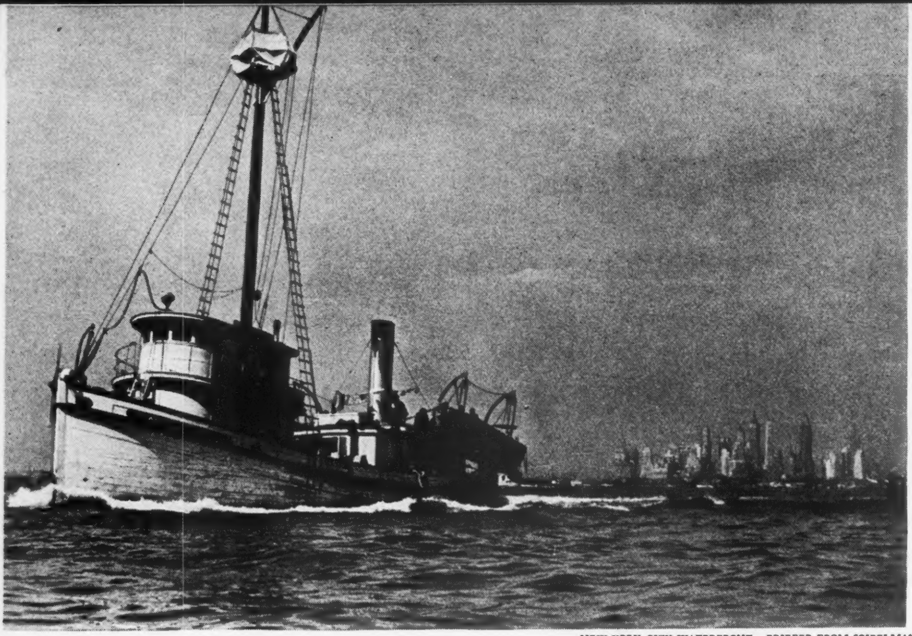
22 Earl Browder convicted in passport case.

23 United States indicts longshoremen unions for violation of Sherman Act. House overwhelmingly approves extension of Dies Committee for another year.

24 Spirited upturn in stocks.

26 United States-Japanese commercial treaty lapses.

29 Supreme Court upholds New York City sales tax on out-of-State goods shipped into city. Pound at $4, highest quotation since early November.



NEW YORK CITY WATERFRONT—BRIEFER FROM SOIBELMAN

THE TREND OF BUSINESS

PRODUCTION . . . . PRICES . . . . TRADE . . . . FINANCE

Industrial schedules are declining in response to rapidly-shrinking order backlogs. Retail trade has been affected by the drop in employment and by adverse weather conditions, but remains at a fairly high level. Exports are the largest in a decade. Business sentiment, although extremely cautious, is not gloomy. The trend of wholesale commodity prices continues mildly downward; stock price averages are steadier.

STATISTICAL measures reveal that a fairly sharp recession in business activity has been under way since the first of the year. Industrial production, employment, commodity prices have all lost ground. Manufacturers' backlogs of orders are rapidly disappearing, and buying interest remains, if not apathetic, determinedly reticent.

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1937	1938	1939	1940
January	114	80	101	120
February	116	79	99	
March	118	79	98	
April	118	77	92	
May	118	76	92	
June	114	77	98	
July	114	83	101	
August	117	88	103	
September	111	90	111	
October	102	96	121	
November	88	103	124	
December	84	104	128	

In most quarters there is a tendency to view the decline as neither unexpected nor unduly alarming. Inventory expansion has been checked before reaching the abnormal heights of 1937. Retail trade has held up well, despite the opposition of unusually severe weather conditions. And exports, although below the dramatic expectations of last September, are running at the highest totals in a decade.

There is no evidence in financial markets of excessive speculation. Security and commodity prices are not out of line; bank reserves are at a record level; and money rates are low. In fact, private capital has been so little venturesome that the relation between prevailing levels of industrial production and of capital financing presents a striking anomaly: while the index of activity in durable goods industries averaged slightly higher than in 1929 during the months October through January, corporate issues for new capital were only 3 per cent of the average monthly total in 1929.

Industrial activity: Abruptly reversing the upward trend of the preceding seven months, the FRB index of production dropped back from 128 in December to 120 in January. The one-month decline erased the entire last quarter rise in the index, and a further reduction in February is estimated to have carried the figure close to its level at the start of the war.

When no adjustment is made in the index for the increase in activity usually experienced at the beginning of the year, the change of trend is less spectacular, although no less definite. Uncorrected for seasonal variation, the index for January is reported at 117, compared with 120 for December, 124 for November and October, 112 for September, and 99 for August.

The steel industry which led the advance during the Fall has also been the most important single factor in the decline of the index during recent weeks. From a rate above 94 per cent of capacity in early December, operations dropped to 66 per cent by the end of February. Lumber production and plate glass output were also reduced rather sharply. Machine tool operations remained unchanged at 93 per cent of capacity for both December and January. Automobile schedules de-

Factory Payrolls

U.S.B.L.S. Index
1923-1925 = 100

	1937	1938	1939	1940
January	94.6	75.3	83.7	98.1
February	100.1	77.5	86.0	
March	105.9	77.6	87.6	
April	109.7	74.9	85.5	
May	110.1	73.2	85.0	
June	107.6	71.1	86.5	
July	105.2	71.1	84.4	
August	108.7	77.3	89.7	
September	104.9	81.6	93.8	
October	104.9	84.2	101.6	
November	93.3	84.4	101.8	
December	84.6	87.1	103.9	

creased less than seasonally during January and by mid-February were already started on their Spring rise.

In the building industry, activity was below a year ago as well as under the recent peak. Contract awards reported by F. W. Dodge were valued at $196,191,000, or 22 per cent less than the total for January, 1939. Total private work was about equal to last year, although residential building was moderately lower.

Textile production made a poorer than seasonal showing in January: production of cotton, wool, and rayon declined; silk deliveries rose more than seasonally although still remaining at a relatively low level. Shoe production held fairly well, with January output estimated at 33,000,000 pairs. Meat packing and flour output were approximately unchanged.

While the January decline in activity in non-durable goods industries (after seasonal adjustment) was on the whole less sharp than the recession in durable lines, the contraction appeared relatively greater compared with the previous recovery. The FRB adjusted index for durable industries stood at 123 in January, against the August level of 92, while the non-durable was 114 compared with 115 in August.

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1937	1938	1939	1940
January	93	90	88	92
February	95	88	87	
March	93	86	88	
April	93	83	88	
May	93	78	85	
June	93	82	86	
July	92	83	86	
August	93	83	89	
September	94	86	91	
October	93	84	90	
November	91	89	95	
December	89	89	96	

Consumer income: The flow of income to consumers remained fairly steady in January, providing a cushion against a too-abrupt drop in industrial activity. Factory employment and payrolls decreased by somewhat more than the usual seasonal amount, although remaining well above last January. Relief payments were lower than a year ago, but social security benefits were larger. Dividends were up substantially, reflecting the highest quarterly industrial earnings in a decade. An adjusted index of 89.4 for total income payments in January compared with 89.7 in December and 83.3 in January, 1939.

With living costs about the same as a year ago, purchasing power profited fully from the enlarged income. The cost of living index (NICB) for January stood at 85.4, unchanged from a year ago; 0.1 per cent above December.

Consumer buying: After a good start in early January, retail trade encountered adverse weather conditions which tended to magnify the usual drop in store sales from the December peak. The FRB department store index (adjusted) slid off to 92 from 96 in December, the DUN'S REVIEW trade barometer (adjusted) to 94.2 from 100.5.

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	Nov. 1939	Dec. 1939	Jan. 1940	Feb. 1940
I	79.3	78.8	79.5	78.8
II	79.3	79.0	79.5	78.5
III	79.1	78.7	79.3	78.3
IV	79.0	79.3	79.1	
V		79.4		

Although spottiness persisted into February, substantial increases over the 1939 level continued to be reported. Outstanding gains were scored by the automobile trade, which chalked up an increase of 37 per cent in the first ten days of February, after a 31 per cent improvement in January.

Foreign trade: Merchandise exports, valued at $368,550,000 in January as compared with the December total of $367,819,000, were 75 per cent above the export volume for January, 1939. Although foreign commitments still were playing a major rôle only in the aircraft and a few isolated industries, several manufacturing lines reported that demand from this source was an important sustaining factor now that domestic buying had declined.

Prices: A dullness in buying interest appeared in a moderate downtrend in wholesale commodity price averages. From 79.5 at the beginning of January, the USBLS weekly index was down to 78.3 in the third week of February. The latest figure was 5.0 per cent above the August low, 2.2 per cent above the same period in 1939.

Industrial Stock Prices

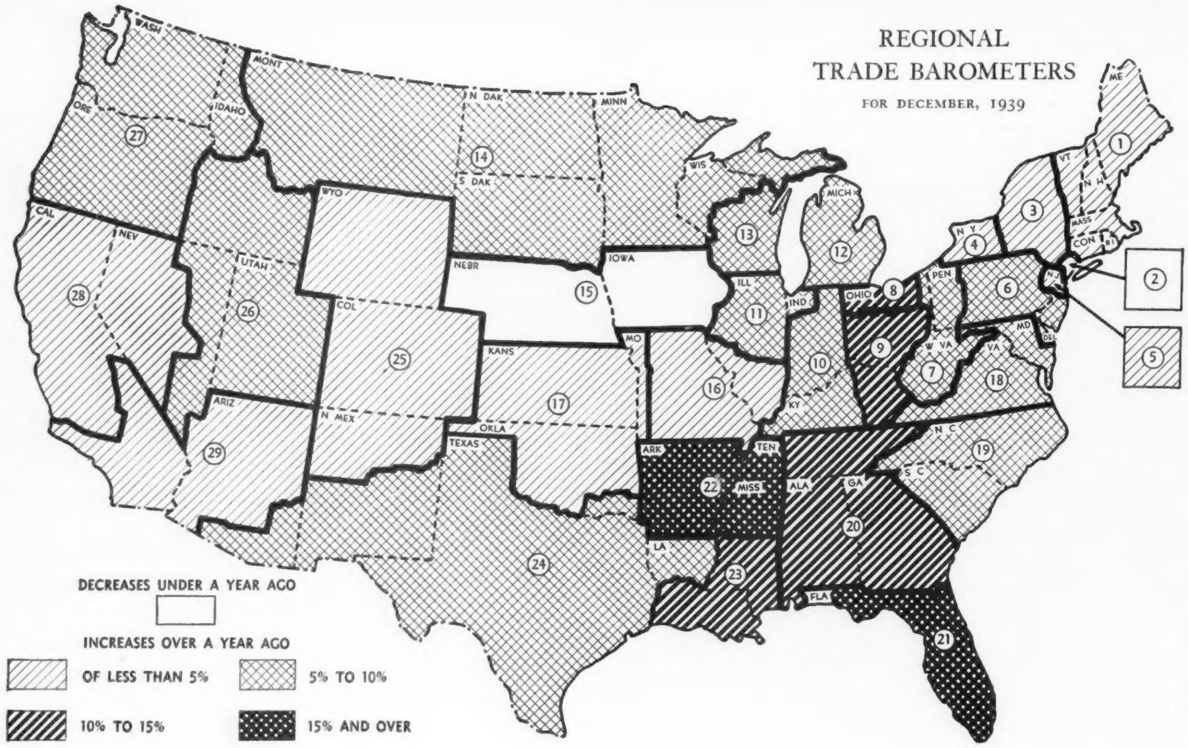
Dow-Jones Index (Weekly Average)

Week	Nov. 1939	Dec. 1939	Jan. 1940	Feb. 1940
I	152.21	147.11	151.88	145.56
II	149.91	147.68	148.45	147.29
III	150.34	148.48	145.54	148.50
IV	150.02	149.30	146.17	
V		149.50		

Stock market trading remained apathetic but prices showed resistance to further declines. The Dow-Jones weekly average of industrial stock prices gained slightly in February, remaining under the level at the start of January. At 148.50, the most recent figure compared with 133.53 before the war and with 144.92 in the corresponding week a year ago.

Bank credit: Commercial loans of reporting member banks decreased steadily during January and early February; by mid-February loans of this type were valued at $4,309,000,000, or $107,000,000 less than the total held two months earlier but $548,000,000 more than the holdings of the previous year. Demand deposits, which expanded almost steadily during this period, totalled $3,111,000,000 above deposits in mid-February, 1939.

Capital issues: Corporate flotations for new capital, reported by *The Commercial & Financial Chronicle*, amounted to $32,055,000 in January, representing the largest total since last July. While slightly above the monthly average for all of 1939, the figure compared with the recent high of $102,084,000 in 1937 and with the all-time peak monthly average of $666,839,000 in 1929.



WEATHER AFFECTS TRADE VOLUME

The United States Trade Barometer fell to 94.2 (preliminary) in January from 100.5 in December. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by the branch offices of DUN & BRADSTREET, INC.

HOUSEHOLD ITEMS held the center of the retail stage during the first part of February, as consumers found the weather in many sections too cold and dreary to encourage a large amount of interest in Spring ready-to-wear. Furniture, glassware, curtains, draperies, and floor coverings moved well, while yard goods, apparel accessories, and valentine novelties attracted considerable attention. In many cities Lincoln's Birthday sales totals were the highest for any day this year. Volume as a whole averaged 3 to 10 per cent above last year.

Wholesale markets were fairly active in early February, although orders were generally small and commitments for future delivery rather cautious. Market week events, trade shows, and some reorders of Spring merchandise bolstered volume and helped to maintain a moderate lead over a year ago, despite the hand-to-mouth buying policies.

January trade developments were influenced strongly by the heavy snows and freezing temperatures which prevailed throughout a large part of the country. Shortages of fuel were feared in some cities, particularly in the South, and sales of electric heaters, galoshes, sweaters, blankets, and other Winter merchandise were abnormally brisk. The month started out pretty well, but generally unfavorable weather conditions and transportation difficulties in many places during the latter part of the month caused sales to drop more than seasonally from December to a level only about 3 per cent above last year. The preliminary United States Trade Barometer for January fell to 94.2, compared with 100.5 in December and 91.3 a year ago.

Wholesale buying gained volume during January, as the early date of Easter stimulated purchases of Spring apparel lines. Buyers attended market events in record numbers, and emphasis on better-quality merchandise was considered a favorable sign. Demand for curtains, draperies, and floor

coverings led other household lines in sales volume.

The twenty-nine regions were unanimous in showing a more-than-seasonal gain in trade during the month of December. In some regions the gains were very small, while in others they were of substantial proportions. Sixteen regions reported increases of less than 5 per cent; these included the entire Northeast section of the country, as well as scattered regions throughout the Central, Western, and Southern areas. The smallest gains, less than 1 per cent, were registered in the Albany and Syracuse, Minneapolis and St. Paul, Florida, and San Francisco regions. Increases of 14 per cent or more occurred in the Chicago, Iowa and Nebraska, Kansas City, and New Orleans territories. The other nine regions registered increases of between 5 and 12 per cent.

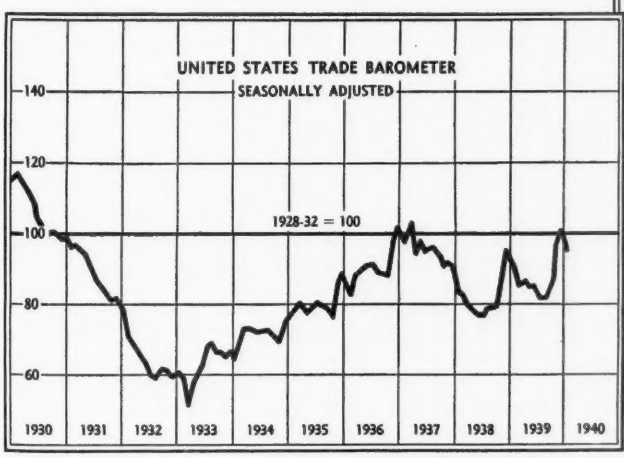
Comparisons with a year ago varied from a gain of about 19 per cent in the Memphis region to a decrease of about 4 per cent in the New York City area. Increases of more than 10 per cent were registered in six regions, four in the South: Cleveland, Cincinnati and Columbus, Atlanta and Birmingham, Florida, Memphis, and New Orleans.

(Charts and trade reports for each region begin on next page)

THE MAP AND CHART compare the December, 1939, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1928, on pages 34-38. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for December based on samples of department and retail stores reporting to the Federal Reserve banks; for January and for the first half of February based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.

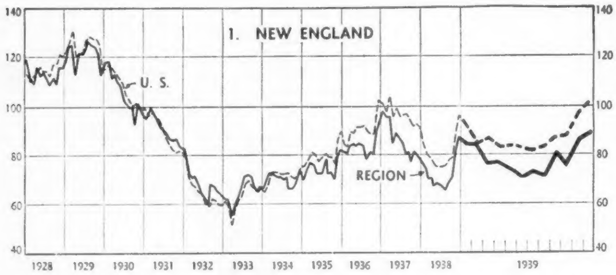


REGIONAL TRADE BAROMETERS

Region	Dec. 1939 Regional Index	Dec. 1939 Compared with Dec. 1938 (%)	Retail 1935 Sales %
U. S.	100.5	+ 5.6	100.0
1. NEW ENGLAND	88.9	+ 2.2	7.8
2. NEW YORK CITY	81.9	— 4.2	10.3
3. ALBANY AND SYRACUSE	96.8	+ 0.8	2.6
4. BUFFALO AND ROCHESTER	87.8	+ 2.1	1.9
5. NORTHERN NEW JERSEY	89.0	+ 2.4	2.9
6. PHILADELPHIA	94.5	+ 6.1	6.2
7. PITTSBURGH	100.0	+ 5.5	3.7
8. CLEVELAND	101.6	+12.9	2.9
9. CINCINNATI AND COLUMBUS	108.1	+10.6	3.1
10. INDIANAPOLIS AND LOUISVILLE	115.8	+ 7.7	2.6
11. CHICAGO	105.8	+ 8.5	6.4
12. DETROIT	93.9	+ 7.6	4.0
13. MILWAUKEE	105.5	+ 6.9	2.2
14. MINNEAPOLIS AND ST. PAUL	102.7	+ 7.5	4.5
15. IOWA AND NEBRASKA	89.8	— 1.4	3.0
16. ST. LOUIS	98.9	+ 2.9	2.5
17. KANSAS CITY	104.0	+ 4.3	3.6
18. MARYLAND AND VIRGINIA	116.0	+ 5.6	3.8
19. NORTH AND SOUTH CAROLINA	118.7	+ 9.8	2.1
20. ATLANTA AND BIRMINGHAM	134.2	+12.4	3.5
21. FLORIDA	130.0	+16.1	1.3
22. MEMPHIS	117.0	+18.7	1.5
23. NEW ORLEANS	122.1	+10.4	1.0
24. TEXAS	125.0	+ 8.9	4.5
25. DENVER	112.5	+ 3.4	1.3
26. SALT LAKE CITY	99.6	+ 6.0	.8
27. PORTLAND AND SEATTLE	98.3	+ 7.4	2.7
28. SAN FRANCISCO	100.1	+ 1.3	3.4
29. LOS ANGELES	98.3	+ 0.3	3.9

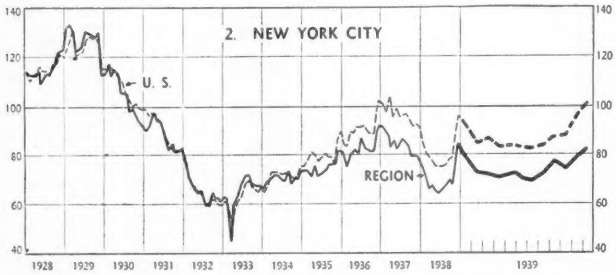
THE REGIONAL TRADE BAROMETERS

These indexes of consumer buying are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts comparing the indexes for each region with the index for the United States since January, 1928, appear in this number and were in the September, 1939, number; it is planned that they will be published semi-annually. Additional information about the indexes and about their usefulness in regional sales quota work, back figures, and data about regional boundaries is available for users of the indexes.



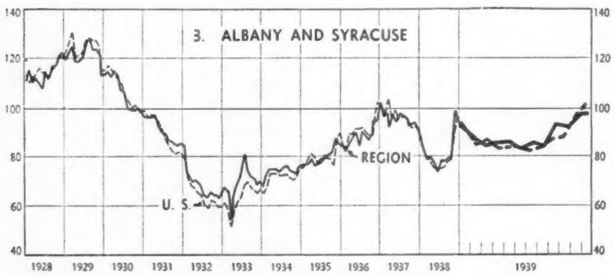
REGION 1: DEC., 88.9 NOV., 86.2 DEC. 1938, 87.0

DECEMBER—Percentage department store sales increases over previous December: Boston–Providence–New Haven 2. JANUARY—Percentage retail trade increases over previous January: Bangor–Worcester 8, Portland–Manchester 0, Boston–Providence 2, Springfield 3, Hartford 10, New Haven 15. Wholesale trade increases: Portland 3, Boston 7, Springfield 5. Payrolls and production generally above last year; steady to below November level. Copper, brass, and allied industries on full-time schedules. Aircraft, small tool, and munition plants active. Shoes and textiles quiet. Collections fair to slow. FEBRUARY—Department store sales and bank debits up about 2% from last year. Industry somewhat slower than in January.



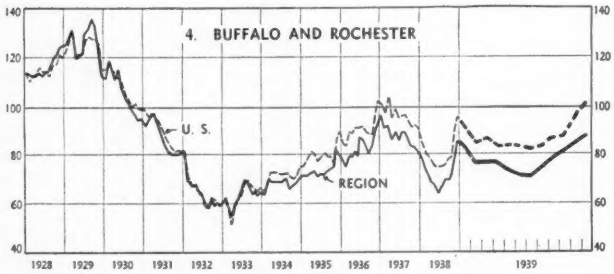
REGION 2: DEC., 81.9 NOV., 79.1 DEC. 1938, 85.5

DECEMBER—Percentage department store sales changes from previous December: New York and Brooklyn —1, Bridgeport +8, Westchester–Stamford +2. JANUARY—Percentage retail trade increases over previous January: Bridgeport 10, New York City department store sales 11, parcel deliveries 5, hotel sales 2. Bank clearings about 4% below last year in New York City, up 4% in Westchester County. Payrolls and production above last year. Bridgeport factories enjoying rush of orders for war materials and general industrial products. Clearance of Winter goods in stores very satisfactory. FEBRUARY—Lincoln's Birthday holiday trade 15% ahead of last year. Furniture sales somewhat slow in metropolitan area.



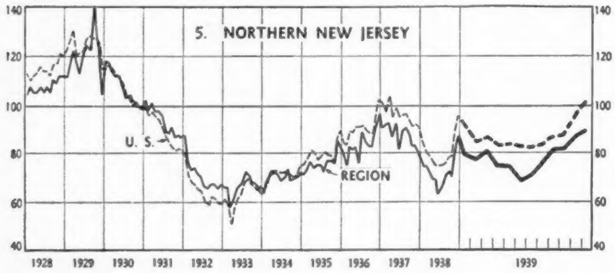
REGION 3: DEC., 96.8 NOV., 96.7 DEC. 1938, 96.0

DECEMBER—Percentage department store sales increases over previous December: Syracuse 10, Northern State 8, Central State 7. JANUARY—Percentage retail trade changes from previous January: Albany —5, Binghamton +8, Utica +7, Syracuse +12. Wholesale trade changes: Albany 0, Syracuse +3. Farm prices steady. Payrolls and production vary in comparison with last year and last month. Shoe production about 5% below last year. Textile industry continues active; backlogs being gradually reduced. Collections generally steady with previous year. FEBRUARY—Retail trade approximately 5% ahead of the same month in 1939. Wholesale volume generally favorable. Industry ahead of 1939.



REGION 4: DEC., 87.8 NOV., 84.8 DEC. 1938, 86.0

DECEMBER—Percentage department store sales increases over previous December: Buffalo 9, Rochester 8, Niagara Falls 7. JANUARY—Percentage retail trade increases over previous January: Buffalo–Rochester 5, Elmira 10. Buffalo wholesale trade 6% ahead of similar month last year. Farm prices firm. Payrolls and production above last year; steady to down since December. Many plants working overtime. Steel rate well above last year's level; orders coming in more slowly than last month. Outbound railroad tonnage in Buffalo 30% above previous year. Collections fair. FEBRUARY—Retail sales about 6% above last year. Production being readjusted to the slower rate of incoming orders.



REGION 5: DEC., 89.0 NOV., 87.3 DEC. 1938, 86.9

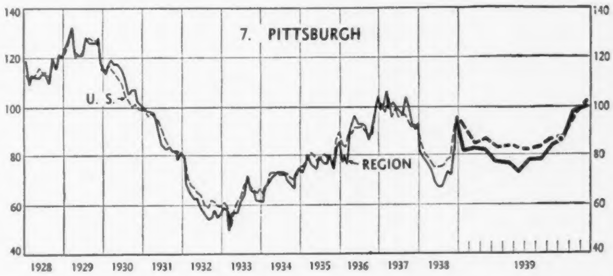
DECEMBER—Northern New Jersey department store sales 4% above previous December level. JANUARY—Newark retail sales off seasonally from the high December level, but still 17% ahead of a year ago. Wholesale trade activity up 5% in the year and 3% in the month. Payrolls and production above the corresponding period of last year, off somewhat from December. Paterson plain goods textile shops moderately active; printing and dyeing trades not receiving much Spring business as yet. Collections better than a year ago in all divisions; better than December in retail, poorer in wholesale and manufacturing. FEBRUARY—Department store sales 15% above last year. Wholesaling and manufacturing also report moderate gains over 1939.

REGION 6: DEC., 94.5 NOV., 92.5 DEC. 1938, 89.1

DECEMBER—Percentage department store sales increases over previous December: Trenton 18, Philadelphia 8, Scranton 4, Harrisburg 9, Wilmington 20. JANUARY—Percentage retail trade changes from previous January: Trenton–Reading +8, Allentown +20, Philadelphia —4, Scranton —2, Wilkes-Barre–Wilmington +2, Williamsport +10, Harrisburg +5. Philadelphia wholesale trade 2% above last year's level. Prices of truck products higher due to shortage of Southern vegetables. Payrolls and production generally above last year. Scarcity of trained workers in Allentown textile mills. Rubber production off seasonally. Coal mines working steadily. Collections vary. FEBRUARY—Retail trade about even with previous month. Wholesaling active.

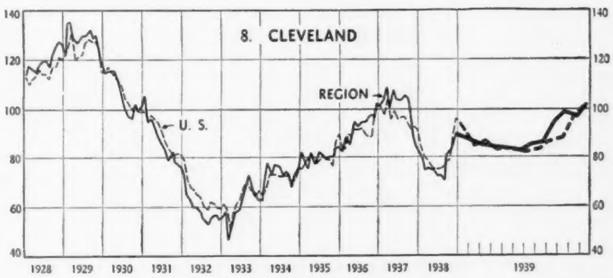
REGION 7: DEC., 100.0 NOV., 98.4 DEC. 1938, 94.8

DECEMBER—Percentage department store sales increases over previous December: Pittsburgh–West Virginia State 7, Wheeling 5. JANUARY—Percentage retail trade increases over previous January: Erie 10, Pittsburgh 0, Youngstown 3, Huntington 5, Charleston 7. Wholesale trade increases: Erie 7, Pittsburgh 8, Charleston 6. Payrolls and production above last year; steady to lower in month. Steel production dropped from 86 to 82% of capacity during the month. New orders running only about 50% of shipments. Coal, glass, chemical, oil, and gas industries showing good level of activity. Collections fair to good. FEBRUARY—Steel rate still falling from previous month. Retail and wholesale trade spotty.



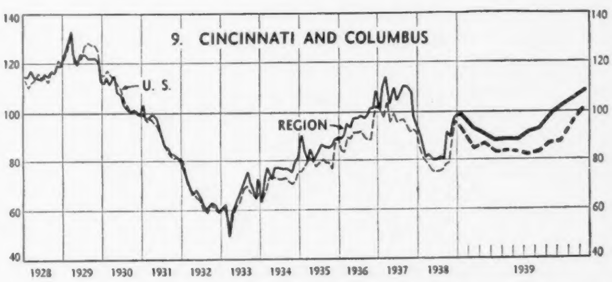
REGION 8: DEC., 101.6 NOV., 96.3 DEC. 1938, 90.0

DECEMBER—Percentage department store sales increases over previous December: Cleveland 9, Akron 12, Toledo 6. JANUARY—Percentage retail trade increases over previous January: Cleveland 10, Akron 14, Canton 25, Toledo 5, Lima 0. Wholesale trade increases: Cleveland 10, Akron 7, Toledo 5. Payrolls and production steady to above last year. Seasonal decline in automotive industry. Steel rate and backlogs down sharply from previous month, still above last year. Machine tool factories operating at capacity, but reducing backlogs. Rubber manufacturing continues active. Collections fair to good. FEBRUARY—Steel decline less than in some other sections. Department store sales 15% above 1939.



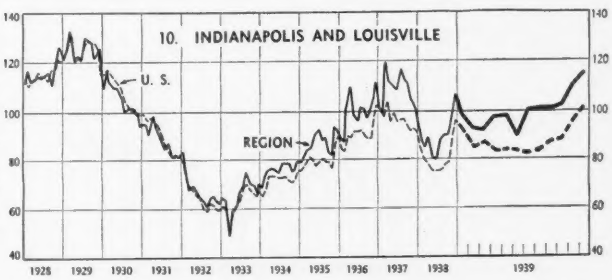
REGION 9: DEC., 108.1 NOV., 106.5 DEC. 1938, 97.7

DECEMBER—Percentage department store sales increases over previous December: Cincinnati 6, Columbus 10. JANUARY—Percentage retail trade changes from previous January: Cincinnati +5, Dayton +2, Springfield —5, Columbus–Zanesville +10. Wholesale trade increases: Cincinnati 12, Columbus 5. Dairy and poultry products yield good despite cold weather. Damage to fruit unknown as yet. Farm prices generally steady. Payrolls and production above last year. Steel production off about 10% from December. Zanesville potteries active. Collections fair. FEBRUARY—Department store sales 10% above last year and last month. Tobacco markets closed. Coal mining still particularly active.



REGION 10: DEC., 115.8 NOV., 109.8 DEC. 1938, 107.5

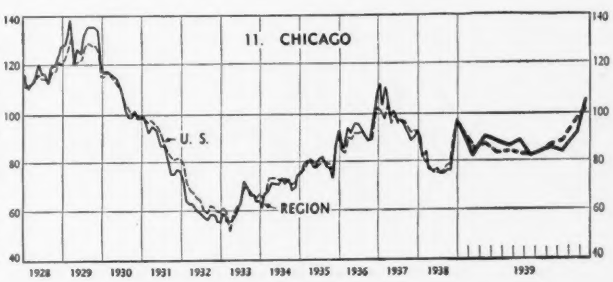
DECEMBER—Percentage department store sales increases over previous December: Louisville 5, Indianapolis 9, Fort Wayne 15. JANUARY—Percentage retail trade changes from previous January: Louisville–Evansville–Terre Haute +5, Indianapolis 0, Fort Wayne —5. Louisville–Indianapolis wholesale trade up 5% from last year. Snow beneficial to wheat crops; fruits damaged by cold weather. Payrolls and production steady to above last year. Manufacturing of metal beds and allied lines about 40% above the same period of 1939. Collections fair to good. FEBRUARY—Retail sales steady to 3% above last year's level. Wholesale buying about 10% ahead of a year ago. Manufacturing operations continue active.

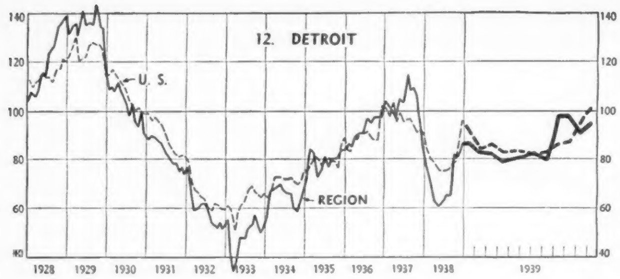


REGION 11: DEC., 105.8 NOV., 90.9* DEC. 1938, 97.5

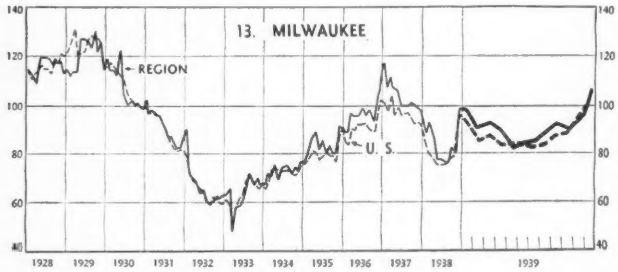
DECEMBER—Percentage department store sales increases over previous December: Chicago 7, Peoria 4. JANUARY—Percentage retail trade increases over previous January: Chicago 4, Rockford 20, Peoria 5, South Bend 25. Chicago wholesale trade 4% above a year ago. Production and payrolls generally above last year's level. Machine tool and heavy foundry work particularly active. Furniture manufacturing dull in Rockford. South Bend aviation and automobile factories on full-time schedules. Collections fair to good in comparison with last year and last month. FEBRUARY—Twenty trade shows in progress; wholesale activity 8% ahead of similar month last year. Retail activity about same as January.

*Revised.

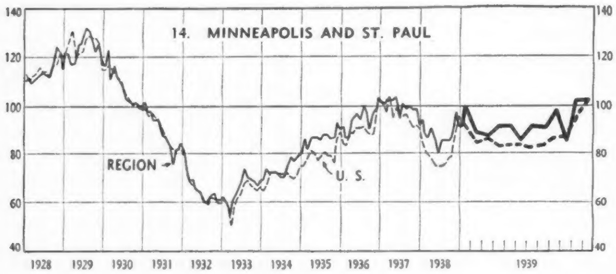




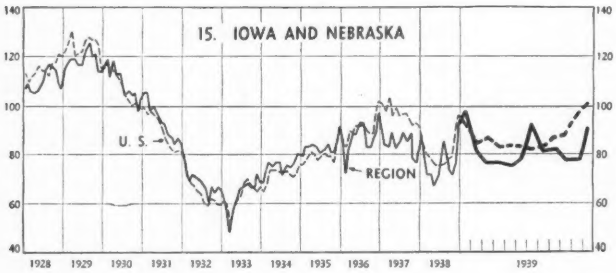
REGION 12: DEC., 93.9 NOV., 90.3 DEC. 1938, 87.3
DECEMBER—Detroit department store sales 4% above previous December level. JANUARY—Percentage retail trade increases over previous January: Detroit 10, Grand Rapids 12, Saginaw 3. Wholesale trade increases: Detroit 11, Grand Rapids 15. Demand for greenhouse vegetables good; prices satisfactory. Payrolls and production well above last year; steady to lower in month. Slight seasonal tapering off in automobile production, but output still largest for any January in the history of the business, about 20% ahead of last year. Metal parts manufacturing at capacity levels. Collections good. FEBRUARY—Department store sales 8 to 10% above last year. Automobile output curtailed, but still above comparable period of 1939.



REGION 13: DEC., 105.5 NOV., 94.7 DEC. 1938, 98.7
DECEMBER—Milwaukee department store sales 5% above previous December level. JANUARY—Percentage retail trade increases over previous January: Milwaukee 5, Green Bay 15. Milwaukee wholesale trade 5% above level of a year ago. Dairy industry about same as last month. Farm prices improving. Payrolls and production above last year, steady since December. Metal trades and allied lines showing particularly good increases over last year. Heavy snows welcomed as beneficial to dry ground; soil now in better condition for Spring planting of hay, clover, and alfalfa. Collections steady to better than a year ago. FEBRUARY—Milwaukee bank clearings, at about $21,000,000, slightly ahead of 1939.

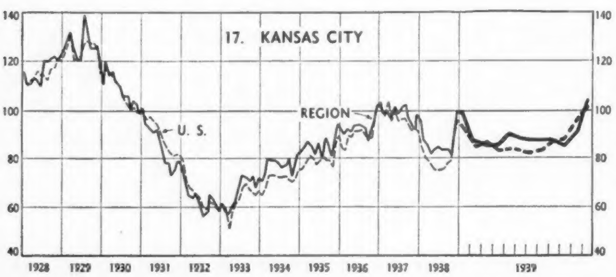


REGION 14: DEC., 102.7 NOV., 102.5 DEC. 1938, 95.5
DECEMBER—Minneapolis–St. Paul–Duluth–Superior department store sales 9% above previous December level. JANUARY—Percentage retail trade changes from previous January: Duluth +8, Minneapolis–Sioux Falls–Butte +5, St. Paul +7, Fargo +3, Great Falls —10. Wholesale trade changes: Duluth 0, Minneapolis +5, Great Falls —10. Winter wheat in fine condition because of snow in most sections; moisture in South Dakota subnormal for the month. Payrolls and production steady to above last year. Demand for flour and linseed oil fairly steady. Meat packing industry having unusually heavy hog-killing program. Collections fair. FEBRUARY—Early reservations for Twin City Market Week below average. Trade 5% above 1939.



REGION 15: DEC., 89.8 NOV., 77.7 DEC. 1938, 91.1
DECEMBER—Omaha department store sales 3% above previous December level. JANUARY—Percentage retail trade changes from previous January: Burlington–Lincoln —5, Cedar Rapids–Des Moines–Omaha +4, Davenport +5, Dubuque–Waterloo–Sioux City 0. Wholesale trade changes: Sioux City —2, Des Moines +5, Omaha +4. Condition of Winter wheat improved as snow blanketed State. Hog prices low. Large amount of corn still being held on farms, not moving to general markets. Payrolls and production steady to above last year. Sash and door milling steady. Men's shirt and accessory manufacturing above last year. Meat packing active. FEBRUARY—Moisture from snow aiding Spring crops, especially wheat.

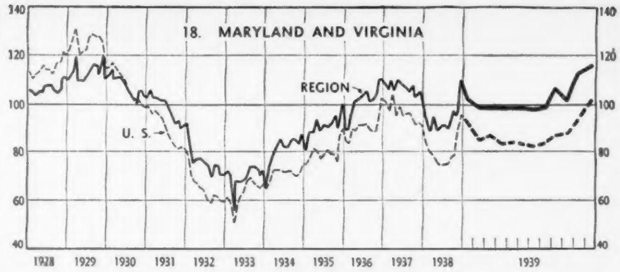
REGION 16: DEC., 98.9 NOV., 97.5 DEC. 1938, 96.1
DECEMBER—Percentage department store sales increases over previous December: St. Louis 4, Springfield (Mo.)–Quincy 6. JANUARY—Percentage retail trade changes from previous January: St. Louis +5, Springfield (Mo.) —2, Springfield (Ill.) —5, Quincy —12. St. Louis wholesale trade 13% above the corresponding period last year. Farm prices fair. Payrolls and production vary in comparison with last year; generally steady with previous month. Sales of shoe manufacturers increased more than some other lines. Activities in heavy goods industries close to last year's levels. Collections generally satisfactory. FEBRUARY—More moderate weather affected retail sales favorably. Shoe output increased over previous month.



REGION 17: DEC., 104.0 NOV., 90.8 DEC. 1938, 99.7
DECEMBER—Percentage department store sales changes from previous December: Kansas City +5, Oklahoma City +2, Tulsa —2. JANUARY—Percentage retail trade changes from previous January: Kansas City —7, St. Joseph —3, Topeka +2, Wichita +5, Oklahoma City +3, Tulsa —5. Wholesale trade increases: Kansas City 8, Oklahoma City 3. Wheat acreage somewhat less than a year ago; crop prospects materially improved after heavy snowfall. Production and payrolls steady to above last year. Meat packing up 32% from the year-ago level. Aviation industries continue to lead industrial field. Collections fair. FEBRUARY—Retail trade level about even with previous month. No appreciable change in wholesale activity.

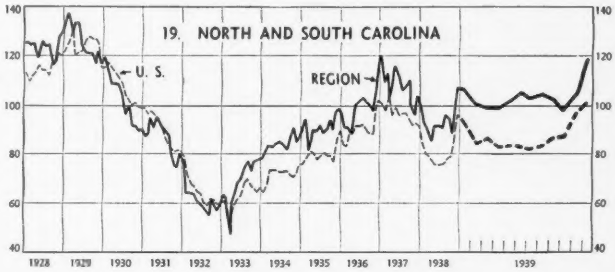
REGION 18: DEC., 116.0 NOV., 112.9 DEC. 1938, 109.9

DECEMBER—Percentage department store sales increases over previous December: Baltimore 7, Washington 2, Richmond–Virginia State 5. JANUARY—Percentage retail trade changes from previous January: Baltimore +3, Washington +8, Norfolk–Roanoke +2, Richmond —2, Lynchburg +10, Bristol 0. Wholesale trade changes: Baltimore +2, Norfolk +4, Richmond —2. Livestock in good condition; feed supplies ample. Wheat stocks in Maryland mills and elevators largest in more than five years. Payrolls and production generally steady with last year. Manufacturers' sales of shoes about 10% above last January. Paper mills operating at or near capacity. FEBRUARY—Retail trade about even with last year.



REGION 19: DEC., 118.7 NOV., 105.9 DEC. 1938, 108.1

DECEMBER—Percentage department store sales increases over previous December: North Carolina 5, South Carolina 6. JANUARY—Percentage retail trade changes from previous January: Asheville —15, Winston-Salem–Greenville +10, Charlotte–Raleigh–Charleston +5, Wilmington +3. Wholesale trade changes: Wilmington +3, Charleston–Winston-Salem 0. Crops retarded by severe cold. Cotton prices steady; tobacco price off. Payrolls and production steady to above last year, generally steady in month. Textiles operating near capacity levels. Tourist business increased over December. Collections fair to good. FEBRUARY—Retail trade improved somewhat over previous month as temperatures became more moderate.

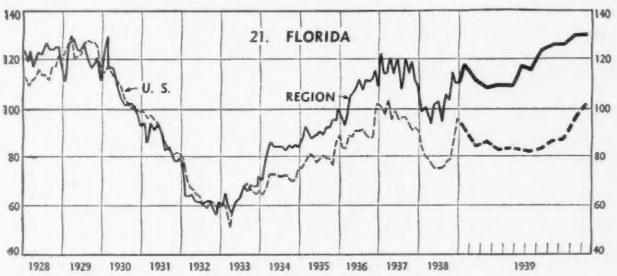


REGION 20: DEC., 134.2 NOV., 123.6 DEC. 1938, 119.4

DECEMBER—Percentage department store sales increases over previous December: Atlanta 8, Birmingham 6, Montgomery 5, Nashville 4. JANUARY—Percentage retail trade changes from previous January: Atlanta +8, Augusta +2, Columbus +5, Macon +15, Birmingham —15, Montgomery +10, Mobile 0, Chattanooga +3, Nashville —10. Wholesale trade changes: Atlanta +10, Birmingham +5, Nashville 0. Heavy snowfall paralyzed transportation throughout the region for several days; damage to truck crops heavy, but severe temperatures killed boll weevils and provided needed soil moisture. Payrolls and production steady to above last year. Heavy industries active. Textiles on full time. FEBRUARY—Trade more normal with higher temperatures.

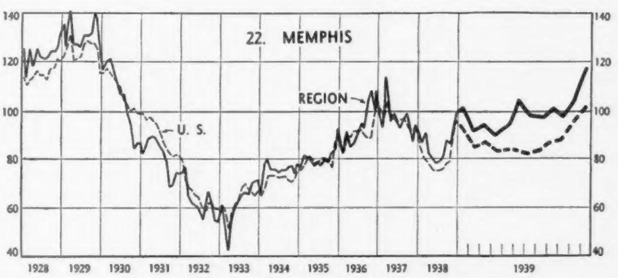
REGION 21: DEC., 130.0 NOV., 129.7 DEC. 1938, 112.0

DECEMBER—Florida department store sales about 8% above previous December level. JANUARY—Percentage retail trade changes from previous January: Jacksonville —5, Miami +10, Tampa +15. Wholesale trade changes: Jacksonville —2, Tampa +20. Snow and cold weather seriously damaged truck and citrus crops; rise in prices expected to offset loss to some extent. Payrolls and production steady with previous year and previous month. Naval stores market unchanged. Lumber movement fairly good. Jacksonville cigar industry operating at very satisfactory level. Tourist business good despite cold weather. FEBRUARY—Tomatoes and snap beans being replanted because of crop losses in previous month.



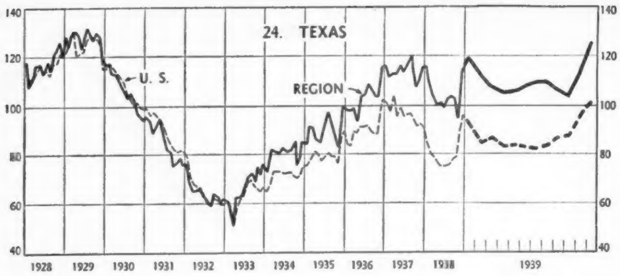
REGION 22: DEC., 117.0 NOV., 105.4 DEC. 1938, 98.6

DECEMBER—Percentage department store sales increases over previous December: Memphis–Fort Smith 6, Little Rock 4. JANUARY—Percentage retail trade increases over previous January: Memphis 10, Fort Smith 17, Little Rock 5. Memphis wholesale trade 10% above previous January level. Cold weather hurt spinach crop, but ground in better condition for Spring planting. Livestock sales off due to bad weather. Payrolls and production steady to above last year. Logging hampered by inclement weather conditions. Furniture industry seasonally slow; market at Chicago reasonably good during month. Strike in Fort Smith glass plant. FEBRUARY—Retail trade quiet; demand for Winter items subsided as temperatures rose.

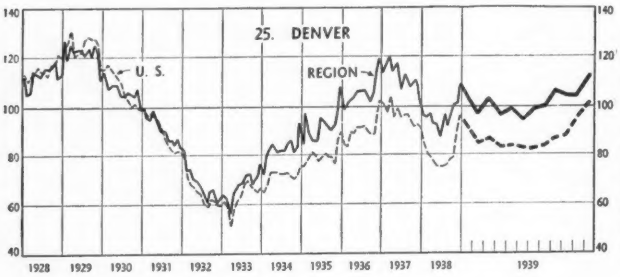


REGION 23: DEC., 122.1 NOV., 106.6 DEC. 1938, 110.6

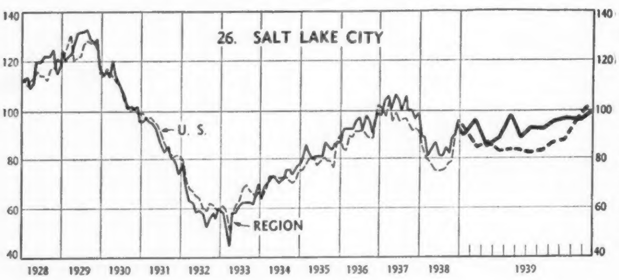
DECEMBER—New Orleans department store sales 7% above previous December level. JANUARY—New Orleans retail trade even with previous January; sales in Meridian also steady. Buying of heavy garments, underwear, shoes, heating equipment, and fuel stimulated by unusually cold weather. Early date of Mardi Gras caused early demand for evening wear. Wholesale buying steady with previous year; substantial reorders of heating and plumbing equipment, heavy apparel, and bedding. Payrolls and production steady with a year ago and with previous month. Most early vegetable crops killed by freezing weather; replanting well under way. FEBRUARY—Trade more normal with relief from ice and cold.



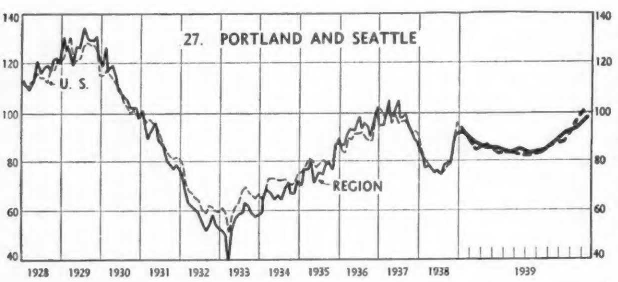
REGION 24: DEC., 125.0 NOV., 112.0 DEC. 1938, 114.8
DECEMBER—Percentage department store sales increases over previous December: Dallas–San Antonio 5, Houston 1; Fort Worth sales off 1%. JANUARY—Percentage retail trade increases over previous January: Dallas 2, Fort Worth 5, Amarillo–Lubbock–Houston 3, El Paso–Galveston–Shreveport 5, Beaumont 10, Austin 1; San Antonio trade off 1%. Wholesale trade changes: Dallas–Shreveport +5, Houston +1, San Antonio —6, Fort Worth +4. About 50% of citrus crop in Rio Grande Valley destroyed by frost; soil benefited by long-needed moisture. Payrolls and production steady to above last year. Lumber manufacturing satisfactory. Oil producing, refining, and marketing quiet. FEBRUARY—Snow and rain materially benefited farmers and ranchmen.



REGION 25: DEC., 112.5 NOV., 104.2 DEC. 1938, 108.8
DECEMBER—Denver department store sales 1% above previous December level. JANUARY—Percentage retail trade decreases from previous January: Denver 2, Albuquerque 5. Denver wholesale trade 3% below previous January level. Ready-to-wear, furs, and rubber footwear moving particularly well, but other lines rather slack. Moisture during January improved crop prospects. Payrolls and production steady with a year ago, steady to down from level of previous month. Collections steady to poorer than a year ago, steady with previous month. FEBRUARY—Retail sales slow despite promotional events; fair demand shown for Winter wearing apparel and furs. Wholesale buying of ready-to-wear and millinery improved.

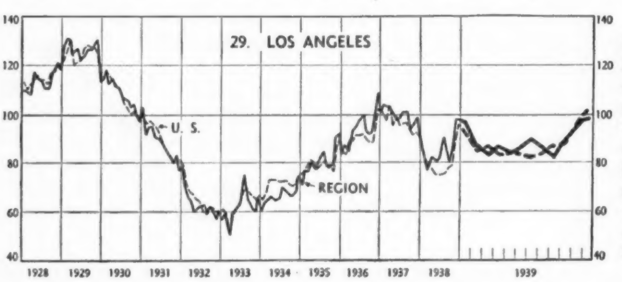


REGION 26: DEC., 99.6 NOV., 95.4* DEC. 1938, 94.0
DECEMBER—Salt Lake City department store sales 1% above previous December level. JANUARY—Salt Lake City retail sales steady with previous year, down 10% from December level. Wholesale trade about 5% more active than a year ago, even with previous month. Hardware and paper lines showing chief gains. Range and water conditions improved during month. Farm prices better than a year ago. Payrolls and production steady with previous year and with previous month. Furniture dealers report volume about even with a year ago. Collections slower than in similar 1939 month. FEBRUARY—Meat packing slightly more active than last month, up 10% from last year. Wholesale hardware sales 10% ahead of 1939. *Revised.



REGION 27: DEC., 98.3 NOV., 93.4 DEC. 1938, 91.5
DECEMBER—Percentage department store sales increases over previous December: Seattle–Tacoma 8, Spokane–Portland 5. JANUARY—Percentage retail sales increases over previous January: Seattle 9, Tacoma 1, Spokane 3, Portland 5. Wholesale trade changes: Seattle +9, Portland 0. Production of dairy products holding even. Prices fair, demand steady. Payrolls and production generally above last year, steady to down in month. Lumber production curtailed because of bad weather. Salmon fishing for 1940 estimated about 50% of normal. Collections vary in comparison with last year and last month. FEBRUARY—Employment conditions in lumber industry best in several years. Trade steady.

REGION 28: DEC., 100.1 NOV., 99.2 DEC. 1938, 98.8
DECEMBER—Percentage department store sales changes from previous December: San Francisco —1, Oakland +3. JANUARY—Percentage retail trade changes from previous January: San Francisco —5, Oakland 0, Sacramento +6, Fresno +5. San Francisco wholesale trade 3% above previous year's level. Rainfall now at or above normal; crop prospects improved. Farm prices steady. Payrolls and production steady to above last year, generally steady in month. Shipbuilding industry increasingly active. Building activity off due to bad weather. Small manufacturing industries steady. Canneries seasonally closed. Collections fair. FEBRUARY—Retail trade somewhat sluggish, below last year's level. Wholesaling more active than in 1939.



REGION 29: DEC., 98.3 NOV., 96.8 DEC. 1938, 98.0
DECEMBER—Percentage department store sales changes from previous December: Los Angeles —3, Phoenix 0. JANUARY—Percentage retail trade changes from previous January: Los Angeles 0, San Diego +4, Phoenix +1. Los Angeles wholesale trade up 5% from a year ago. Citrus yield good, about equal to last year. Citrus and truck crop prices improving due to freeze in Texas and Florida. Payrolls and production above last year, steady since December. Aircraft backlogs at peak levels. Harbor exports at high volume. Petroleum industry steady. Building off slightly. Motion picture studio activity somewhat slower. Collections fair to good. FEBRUARY—Clearer weather encouraged retail trade advance.

INDUSTRIAL AND COMMERCIAL FAILURES

	Number of Failures				Current Liabilities Thousands of dollars				Dun's Insolvency Index† Unadjusted				Adjusted‡			
	1940*	1939*	1939	1938	1940*	1939*	1939	1938	1940*	1939*	1939	1938	1940*	1939*	1939	1938
Jan.	1,237	1,567	1,263	1,377	15,279	20,790	19,122	21,415	67.1	86.0	69.3	76.2	54.6	69.9	56.3	62.0
Feb.	....	1,202	963	1,149	....	13,582	12,788	21,028	...	78.0	62.5	75.2	...	67.8	54.3	65.4
Mar.	....	1,322	1,057	1,167	....	19,002	17,851	40,325	...	72.6	58.1	64.8	...	71.9	57.5	64.2
Apr.	....	1,331	1,064	1,172	....	18,579	17,435	21,147	...	73.1	58.5	65.1	...	71.0	56.8	63.2
May	....	1,334	1,028	1,123	....	15,897	14,664	19,139	...	70.5	54.3	59.8	...	69.8	53.8	59.2
June	....	1,119	847	1,073	....	12,581	11,460	15,918	...	66.5	50.3	64.1	...	69.3	52.4	67.5
July	....	1,153	885	1,038	....	14,999	14,128	14,761	...	63.0	48.3	57.2	...	70.8	54.3	64.3
Aug.	....	1,126	859	1,015	....	12,637	11,259	16,382	...	61.4	46.8	53.8	...	72.2	55.1	63.3
Sept.	....	1,043	758	866	....	10,545	9,402	14,341	...	59.0	42.9	51.6	...	70.2	51.1	61.4
Oct.	....	1,234	916	997	....	17,464	16,140	13,219	...	67.0	49.7	54.7	...	72.8	54.0	59.4
Nov.	....	1,184	886	984	....	13,201	11,877	12,302	...	72.6	54.3	53.9	...	69.8	52.2	51.8
Dec.	....	1,153	882	875	....	13,243	12,078	36,528		65.0	49.7	56.7	..	64.3	49.2	56.1
Total	....	14,768	11,408	12,836	....	182,520	168,204	246,505	...	69.6	53.7	61.1	...	...	...	...

* New series, see columns 2 and 3 below. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING *the* RECORD *of* INDUSTRIAL *and* COMMERCIAL FAILURES

JANUARY RISE SHORT OF NORMAL

THE customary sharp rise in January failures failed to materialize in January, 1940. Only a 7 per cent increase occurred between the 1,153 failures in December and the 1,237 reported in January, in comparison with an average January rise of about 22 per cent. Current liabilities rose 15 per cent, from $13,243,000 in December to $15,279,000 in January. A year ago failures numbered 1,567 with liabilities of $20,790,000.

By means of the insolvency index which corrects for the different number of working days in December and January and relates failures to the number of concerns in business, one may analyze the January data more accurately. The index rose from 65.0 in December to 67.1. This 2 point rise contrasted with a 13 point rise in January, 1939. A comparison with the 18 point rise in January, 1938, is hardly valid, since failures at the beginning of 1938 were in a rising period, whereas a definitely downward trend was under way at the end of 1939, of which the January movement is a part. The adjusted index in the last few months has moved as follows: October 72.8, November 69.8, December 64.3, and January 54.6. The index indicates a very substantial drop from the high level of failures at the beginning of 1938, but failures have not yet reached the low levels of 1937.

Revision

For the purpose of the DUN & BRADSTREET failure records a failure is defined as "a concern which is involved in a court proceeding or a voluntary action which is likely to end in loss to creditors." In 1939 a special effort was made to obtain more complete coverage of voluntary discontinuances with loss to creditors and of concerns forced out of business through such actions as foreclosure, attachment, or execution, with insufficient assets to cover all claims. However, the additional cases were not included in the records as published during the year.

The 1939 figures in this article do include the additional cases and are therefore on a higher level than those originally published in 1939 for both the actual number of failures and for the insolvency index. The addition of 3,360 cases raised the general level of 1939 failures 29 per cent. While this makes it difficult to compare the current level of failures with that of earlier years, the failure record becomes more complete, and comparison is assisted by the fact that both revised and unrevised figures are presented for 1939. To the extent that the new figures produce a more complete coverage of all cases of loss to creditors, the true picture is more correctly portrayed.

A one-year overlap of the old and new series is provided for all classifications of the record. More complete statistical tables are given in the March, 1940, issue of DUN'S STATISTICAL REVIEW. A few summary statements will outline the general character of the changes.

The total number of failures was increased 29 per cent, and current liabilities 9 per cent. Practically all of the additions were small concerns with liabilities under $25,000 and a majority of these had debts of less than $5,000. Distribution among the five main industry groups was fairly uniform. Manufacturing failures were raised 34 per cent, with all lines affected, but principally small clothing outfits, bakeries, small printing establishments, and manufacturers of leather novelties, furs, and jewelry. Wholesale trade failures rose 22 per cent with increases in all lines. In retail trade, additions principally to grocery and meat stores, small apparel and accessory shops, garages and filling stations, and restaurants raised the total 31 per cent. Construction failures were increased 11 per cent, and commercial service 29 per cent. New York City, Chicago, and Philadelphia were the localities most affected. The old seasonal adjustment factors are being used, but revisions may be necessary if the new series begins to diverge from the established seasonal pattern.

FAILURES BY DIVISIONS OF INDUSTRY—JANUARY, 1940 AND 1939

(Current liabilities in thousands of dollars)

	Number			Liabilities		
	Jan. 1940	Dec. 1939	Jan. 1939	Jan. 1940	Dec. 1939	Jan. 1939
TOTAL UNITED STATES	1,237	1,153	1,567	15,279	13,243	20,790
MANUFACTURING (total)	223	239	298	4,942	5,129	7,467
Foods	52	37	50	2,142	1,481	1,670
Textiles	56	63	65	595	969	963
Forest Products	17	16	22	208	167	387
Paper, Printing and Publishing	14	24	21	335	310	349
Chemicals and Drugs	8	9	9	76	78	113
Fuels	1	6	9	5	304	357
Leather and Leather Products	11	4	16	204	26	633
Stone, Clay, Glass and Products	5	7	8	75	279	335
Iron and Steel	11	16	14	105	162	1,102
Machinery	8	14	20	40	859	753
Transportation Equipment	4	3	4	157	168	36
All Other	36	40	60	1,000	326	769
WHOLESALE TRADE (total)	112	108	167	2,597	1,320	2,364
Farm Products, Foods, Groceries	37	38	57	634	406	779
Clothing and Furnishings	8	6	13	62	46	223
Dry Goods and Textiles	3	3	10	37	17	233
Lumber, Building Materials, Hardware	11	15	9	678	246	132
Chemicals and Drugs	3	5	8	16	40	125
Fuels	2	1	3	4	10	77
Automotive Products	4	7	8	22	92	131
Supply Houses	9	7	16	357	63	163
All Other	35	26	43	787	400	501
RETAIL TRADE (total)	789	690	975	5,617	4,940	8,324
Foods	176	215	215	879	1,284	931
Farm Supplies, General Stores	28	26	42	303	144	348
General Merchandise	51	23	59	377	160	557
Apparel	201	128	268	1,374	876	1,827
Furniture, Household Furnishings	27	33	51	189	269	590
Lumber, Building Materials, Hardware	44	22	40	369	258	866
Automotive Products	53	49	65	643	217	1,105
Restaurants	106	112	127	842	1,129	1,025
Drugs	54	45	53	353	240	548
All Other	49	37	55	288	363	527
CONSTRUCTION (total)	69	59	61	1,509	1,094	622
General Contractors	23	24	5	653	582	59
Carpenters and Builders	14	7	17	208	56	206
Building Sub-contractors	28	26	37	478	232	347
Other Contractors	4	2	2	170	224	10
COMMERCIAL SERVICE (total)	44	57	66	614	760	2,013
Cleaners and Dyers, Tailors	8	9	11	45	68	89
Haulage, Buses, Taxis, etc.	12	14	17	70	197	178
Hotels	3	4	7	366	73	1,347
Laundries	1	7	7	5	248	174
Undertakers	2	3	2	32	16	9
All Other	18	20	22	96	158	216

January Failures

In January a considerable increase took place in retail trade failures, as is usual at the beginning of the year. However, the increase amounted to only 14 per cent, compared with about 50 per cent a year ago, and about 25 per cent on previous downward movements. Wholesale failures also increased somewhat in January, but at a rate far below normal. Construction failures with an appreciable increase continued an upward trend in evidence since last October. Manufacturing failures, on the other hand, were fewer than in December by 7 per cent, and commercial service failures were down 23 per cent. A January rise in manufacturing failures is not always the rule, a rise of an appreciable size having occurred only twice in the last six years. The table on this page shows the increase or decrease between December and January in the individual lines of activity within the main groups.

Failures in all main groups except construction were well below those of a year ago. In manufacturing, fewer failures than in January, 1939, appeared in all lines, particularly in fuels and machinery. In both wholesale and retail trade most lines were down, although in both groups failures in lum-

INDUSTRY GROUP	January 1940	January 1939	Per Cent Change
Manufacturing	223	298	—25
Wholesale Trade	112	167	—33
Retail Trade	789	975	—19
Construction	69	61	+13
Commercial Service	44	66	—33
Total	1,237	1,567	—21

ber, building materials, and hardware were in excess of those last January.

By size, there was in January a moderate increase in small failures over December, a sharp increase in substantial failures, and a slight decline in very large failures, from 18 to 16. The comparison by size with January, 1939, shows a relatively greater drop in failures with liabilities in excess of $25,000 than in those with debts below $25,000. The decline in very large failures from 25 to 16 was all in manufacturing.

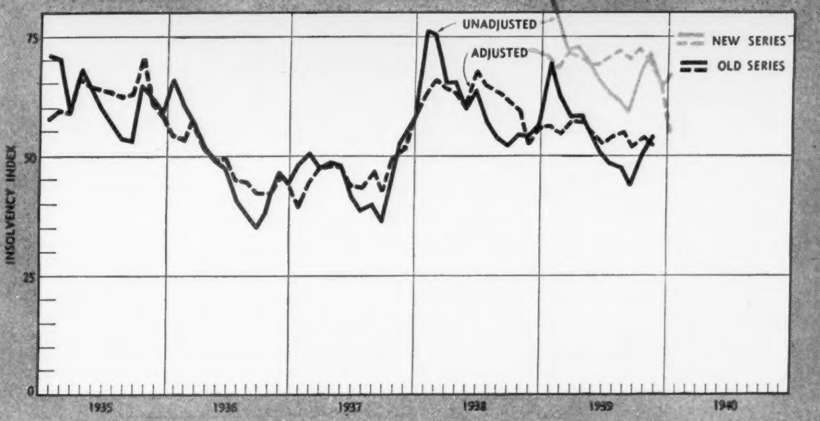
Size of Liabilities	January 1940	January 1939	Per Cent Change
Under $5,000	532	669	—20
$5,000–$25,000	595	733	—19
$25,000–$100,000	94	140	—33
$100,000 and over	16	25	—36
Total	1,237	1,567	—21

Geographically, there were mixed trends in January failures over the country as a whole. The most nearly normal January rise took place in the Southern districts of Atlanta, Richmond, and Dallas, and in the Cleveland district. Only moderate increases occurred in the Eastern districts of New York and Philadelphia, and in the Kansas City district. In the widely separated districts of Boston and St. Louis there was practically no change from December, and in the Northwestern districts of Chicago and Minneapolis January failures were definitely down, likewise down on the West Coast.

The following table of comparison by districts between failures in January, 1940, and January, 1939, shows that with the exception of New England, the Central and Far Western sections of the country appear to have shown the greatest decrease in failures since a year ago.

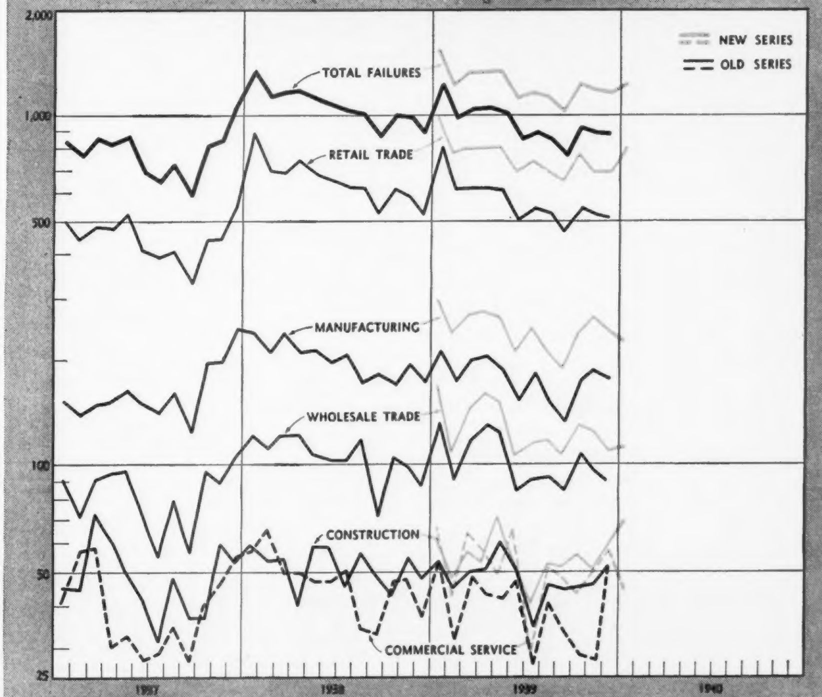
Federal Reserve District	January 1940	January 1939	Per Cent Change
Minneapolis	15	26	—42
Cleveland	65	100	—35
Dallas	23	35	—34
Boston	78	110	—29
San Francisco	102	140	—27
Chicago	165	220	—25
Kansas City	52	68	—24
New York	492	600	—18
Richmond	58	68	—15
Atlanta	67	78	—14
Philadelphia	81	90	—10
St. Louis	39	32	+22
Total	1,237	1,567	—21

MONTHLY TREND OF THE INSOLVENCY INDEX



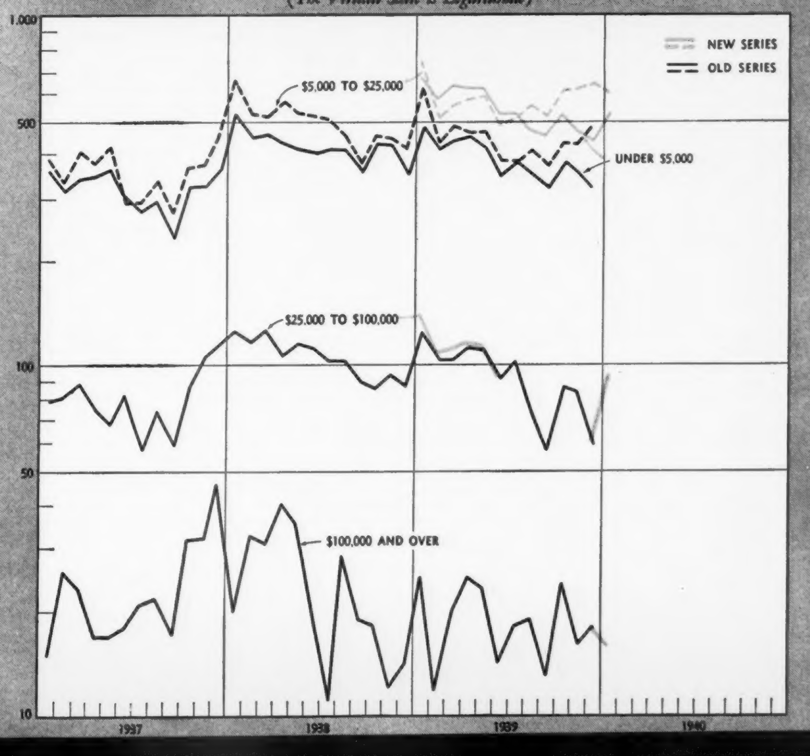
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is Logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is Logarithmic)



SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "Dun's Statistical Review"

Building Permit Values—215 Cities

Geographical Groups:	January 1940	January 1939	Per Cent Change	December 1939	Per Cent Change
New England	$7,694,761	$4,519,466	+ 2.3	$3,917,272	+ 96.4
Middle Atlantic	31,771,173	32,012,682	— 0.8	18,831,024	+ 68.7
South Atlantic	6,773,073	9,935,755	— 31.8	9,220,943	— 26.5
East Central	9,212,463	18,649,865	— 50.6	14,512,085	— 36.5
South Central	10,015,025	9,098,885	+ 10.1	8,485,093	+ 18.0
West Central	2,219,137	3,333,994	— 33.4	5,850,236	— 62.1
Mountain	2,118,465	1,130,603	+ 87.4	1,711,989	+ 23.7
Pacific	14,828,050	14,946,839	— 0.8	14,108,003	+ 5.1
Total U. S.	$84,632,147	$93,628,089	— 9.6	$76,636,645	+ 10.4
New York City	$24,767,355	$23,588,706	+ 5.0	$13,390,384	+ 85.0
Outside N. Y. C.	$59,864,792	$70,039,383	— 14.5	$63,246,261	— 5.3

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly 1940	Monthly 1939	Monthly 1938	Daily Average 1940	Daily Average 1939	Daily Average 1938
January	23,922	23,187	21,798	920.1	927.5	871.9
February	....	19,711	17,584	....	896.0	799.2
March	....	24,995	22,822	....	925.7	845.3
April	....	21,798	21,667	....	871.9	833.4
May	....	22,188	20,169	....	853.4	806.8
June	....	23,022	23,959	....	885.5	921.5
July	....	21,386	21,624	....	855.4	865.0
August	....	22,591	19,716	....	836.7	730.2
September	....	23,820	21,733	....	952.8	869.3
October	....	22,244	24,011	....	889.8	960.4
November	....	22,598	21,637	....	982.5	940.7
December	....	26,596	27,697	....	1,063.8	1,065.3
Total		274,136	264,417	....	911.7	875.8

Bank Clearings for Individual Cities

(Thousands of dollars)

	January 1940	January 1939	Per Cent Change	December 1939
Boston	1,035,995	918,451	+ 12.8	1,101,118
Philadelphia	1,816,000	1,578,000	+ 15.1	1,901,000
Buffalo	158,045	132,400	+ 19.4	158,832
Pittsburgh	561,224	492,161	+ 14.0	660,844
Cleveland	456,431	374,292	+ 21.9	519,920
Cincinnati	269,137	239,668	+ 12.3	281,072
Baltimore	343,332	275,552	+ 24.6	352,771
Richmond	183,916	160,430	+ 14.6	205,276
Atlanta	270,900	237,600	+ 14.0	294,300
New Orleans	189,402	171,994	+ 10.1	202,959
Chicago	1,451,418	1,206,804	+ 20.5	1,620,711
Detroit	507,175	420,407	+ 20.6	516,342
St. Louis	389,030	353,956	+ 9.9	436,853
Louisville	163,522	151,809	+ 7.7	173,584
Minneapolis	293,399	256,424	+ 14.4	325,878
Kansas City	409,527	382,740	+ 7.0	440,298
Omaha	133,106	130,739	+ 1.8	141,304
Dallas	256,310	223,952	+ 14.4	274,148
San Francisco	665,139	596,219	+ 11.6	685,781
Portland, Ore.	136,120	122,528	+ 11.1	141,871
Seattle	166,094	145,420	+ 14.2	164,641
Total 21 Cities	$9,855,222	$8,571,546	+ 15.0	$10,599,503
New York	$14,066,815	$14,615,883	— 3.8	$15,996,090
Total 22 Cities	$23,922,037	$23,187,429	+ 3.2	$26,595,593

Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

Weeks:	1940	1939	1938	1937
Feb. 27	$2.30	$2.33	$2.47	$2.96
Feb. 20	2.34	2.32	2.48	2.94
Feb. 13	2.33	2.31	2.44	2.95
Feb. 6	2.34	2.30	2.43	2.96
Jan. 30	2.36	2.31	2.46	2.93
Jan. 23	2.35	2.30	2.47	2.94
Jan. 16	2.34	2.30	2.51	2.95
Jan. 9	2.25	2.31	2.53	2.99
Jan. 2	2.34	2.33	2.53	2.97

	High	Low
1940	$2.36 Jan. 30	$2.30 Feb. 27
1939	$2.46 Sept. 19	$2.13 Aug. 15
1938	$2.53 Jan. 4	$2.34 May 10

Dun & Bradstreet Daily Wholesale Price Index 30 Basic Commodities

(1930-1932 = 100)

	1940 Feb.	1940 Jan.	1939 Dec.	1939 Nov.
1	119.63	*	118.96	118.13
2	119.36	123.34	118.77	177.91
3	118.93	123.13	†	118.16
4	†	122.87	118.97	118.42
5	118.96	122.61	119.65	† ....
6	119.02	122.46	119.75	118.47
7	118.76	†	120.03	* ....
8	118.74	122.89	119.83	118.37
9	119.16	122.67	120.19	118.13
10	119.08	122.44	†	118.62
11	†	122.19	120.16	* ....
12	*	121.57	120.62	† ....
13	118.36	121.57	121.99	118.21
14	118.31	†	121.64	118.49
15	118.52	122.34	121.98	118.03
16	119.24	121.66	122.85	118.07
17	119.17	121.73	†	117.56
18	†	122.13	124.19	117.89
19	119.20	122.09	123.63	† ....
20	119.39	122.11	123.16	118.24
21	119.94	†	123.19	118.14
22	*	121.35	122.59	118.18
23	119.95	120.38	*	* ....
24	119.56	120.73	†	117.99
25	†	120.82	*	117.80
26	119.31	120.59	122.53	† ....
27	119.10	120.61	122.42	117.62
28	119.44	†	122.52	117.65
29	119.54	119.69	122.47	117.98
30		119.66	*	118.64
31		119.72	†	

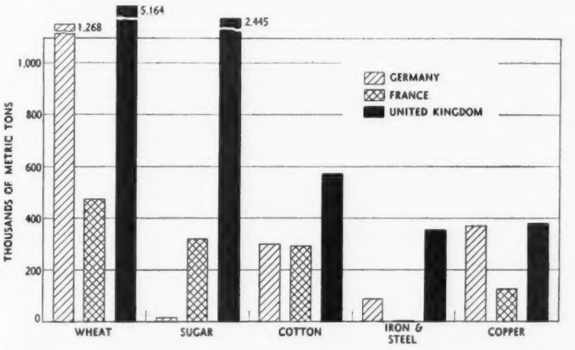
† Sunday. * Markets closed.

	High	Low
1940	123.34 Jan. 2	118.31 Feb. 14
1939	124.19 Dec. 18	101.40 July 24
1938	117.06 Jan. 10	102.43 June 2

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Imports of Three Warring Nations



IMPORTS OF SELECTED COMMODITIES BY GERMANY, FRANCE, AND THE UNITED KINGDOM—*1938—League of Nations—Imports of the United Kingdom are uniformly higher than those of the other countries; French imports are generally smaller than those of Germany and United Kingdom.*

SIGNIFICANT INFORMATION about the origin of imports in 1936, 1937, and 1938 by countries now at war has been reported by the Economic Intelligence Service of the League of Nations. In a study entitled "International Trade in Certain Raw Materials and Foodstuffs by Countries of Origin and Consumption" data are given for 123 importing countries representing about 98 per cent of total world trade.

Germany imported 1,268,000 metric tons of wheat in 1938, according to this report, against 1,219,000 tons in 1937, and 74,000 tons in 1936. In 1937 the largest amounts were imported from Argentina and Australia, while in 1938, Roumania, British India, and the United States were the principal countries sharing the German market. France imported little wheat, relatively, and its purchase of 472,000 metric tons in 1938 was made principally from Algeria, French Morocco, and Canada. The United Kingdom imported about 5,000,000 tons of wheat in each of the three years; the principal sources were Australia, Canada, and the United States.

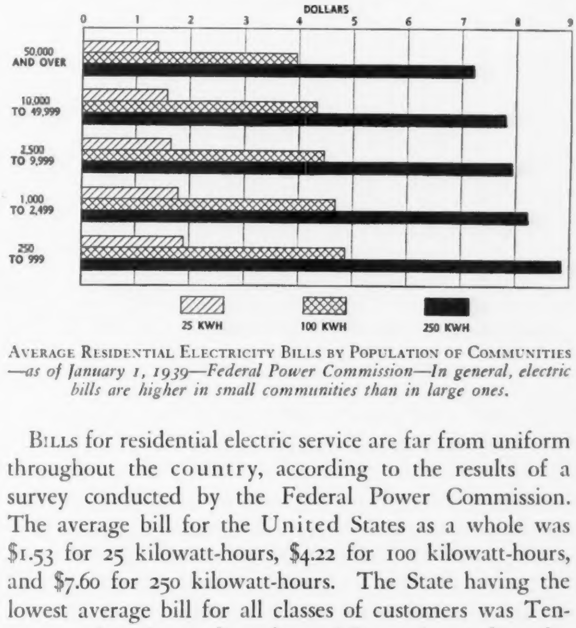
Of the three countries (Germany, France, and the United Kingdom), only the United Kingdom imports a great deal of beet and cane sugar. Germany's imports of sugar amounted to only 16,000 tons in 1938, as against 2,445,000 tons for the United Kingdom, procured mainly from Cuba, Mauritius, South Africa, Australia, and the Dominican Republic. A much larger amount of sugar was obtained by the United Kingdom from Trinidad and Tobago and from Peru in 1937 than in 1938.

Raw cotton imports were of considerable proportions in all three countries. German imports from Brazil increased from 37,000 metric tons in 1936 to 101,000 tons in 1938, while the amount of cotton received from the United States declined from 106,000 to 69,000 tons in the same period. French imports from the United States also dropped off from 194,000 to 151,000 tons in the three years. Much of the British raw cotton came from Egypt and the United States during the period. Only German statistics showed an increase in total imports of cotton between 1936 and 1938.

The United Kingdom imported in 1938 about four times as much iron and steel as Germany, while French receipts of these products were relatively insignificant. The United Kingdom's trade especially benefited the United States, Canada, France, and also Germany in 1938.

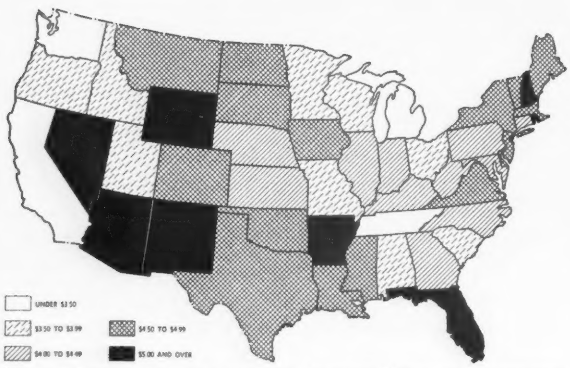
Both Germany and the United Kingdom required more than 350,000 tons of copper in 1938, while French demand was for about 120,000 tons. The principal British sources were Chile, Canada, Northern Rhodesia, and the United States, while the German were Chile, United States, Northern Rhodesia, Belgian Congo, and United Kingdom.

Residential Electric Bills



AVERAGE RESIDENTIAL ELECTRICITY BILLS BY POPULATION OF COMMUNITIES —*as of January 1, 1939—Federal Power Commission—In general, electric bills are higher in small communities than in large ones.*

BILLS for residential electric service are far from uniform throughout the country, according to the results of a survey conducted by the Federal Power Commission. The average bill for the United States as a whole was \$1.53 for 25 kilowatt-hours, \$4.22 for 100 kilowatt-hours, and \$7.60 for 250 kilowatt-hours. The State having the lowest average bill for all classes of customers was Tennessee, where it cost \$1.07 for 25 kilowatt-hours, \$3.30 for 100 kilowatt-hours, and \$6.08 for 250 kilowatt-hours. The highest State was New Mexico, with bills for the first two classes of service of \$2.30 and \$5.68, respectively. The highest average bill for 250 kilowatt-hours of service was Wyoming's \$10.47. Alabama, Ohio, Michigan, Washing-



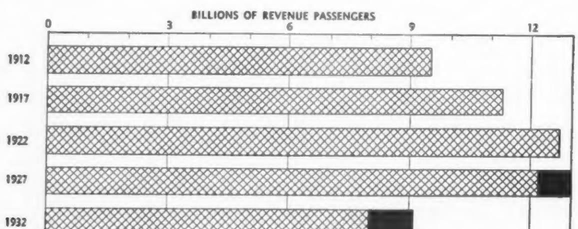
Average Residential Bills for 100 Kilowatt-Hours of Electricity, by States—*as of January 1, 1939—Federal Power Commission—The largest number of States have average electricity bills falling in the $4.50 to $4.99 class; only four States have average bills of less than $3.50.*

ton, and California were other States having particularly low bills in one or more of the service-classes, while New Hampshire, Arizona, Rhode Island, and Nevada had particularly high bills.

Trolley Cars and Buses

Street railway mileage increased from 41,000 to 45,000 miles between 1912 and 1917, but has shown a decline since that time to a total of about 24,000 miles in 1937, according to the census of street railways, conducted by the U. S. Bureau of the Census. The number of employees reached a peak in 1922, and so did the number of revenue passengers carried by these lines. Although the number of revenue passengers and the mileage dropped off 39 and 42 per cent, respectively, in the ten years between 1927 and 1937, operating income showed an increase of 57 per cent in 1932 over 1927, and a gain of 3 per cent from 1927 to 1937.

Motorbus operations expanded considerably between 1922 (the first year for which statistics were gathered for this branch of the industry) and 1937. The miles of street or highway served increased from 685 to 45,095 in the period, the number of employees rose from 404 to 58,416, and revenue passengers were 2,934,000,000 more numerous at the end of the period than at the beginning. A net operating income was shown for the first time in 1937.

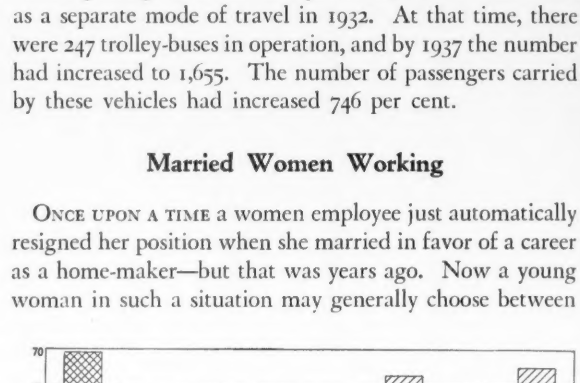


Revenue Passengers on Street Railways and Motor Buses—*1912-1937—U. S. Bureau of the Census—The number of revenue passengers on street railways reached a peak in 1922; competition from motorbus and trolley-bus lines first began to be felt about that time.*

The hybrid trolley-bus, considered by many to be the "coming thing" in street transportation, was first classified as a separate mode of travel in 1932. At that time, there were 247 trolley-buses in operation, and by 1937 the number had increased to 1,655. The number of passengers carried by these vehicles had increased 746 per cent.

Married Women Working

Once upon a time a women employee just automatically resigned her position when she married in favor of a career as a home-maker—but that was years ago. Now a young woman in such a situation may generally choose between

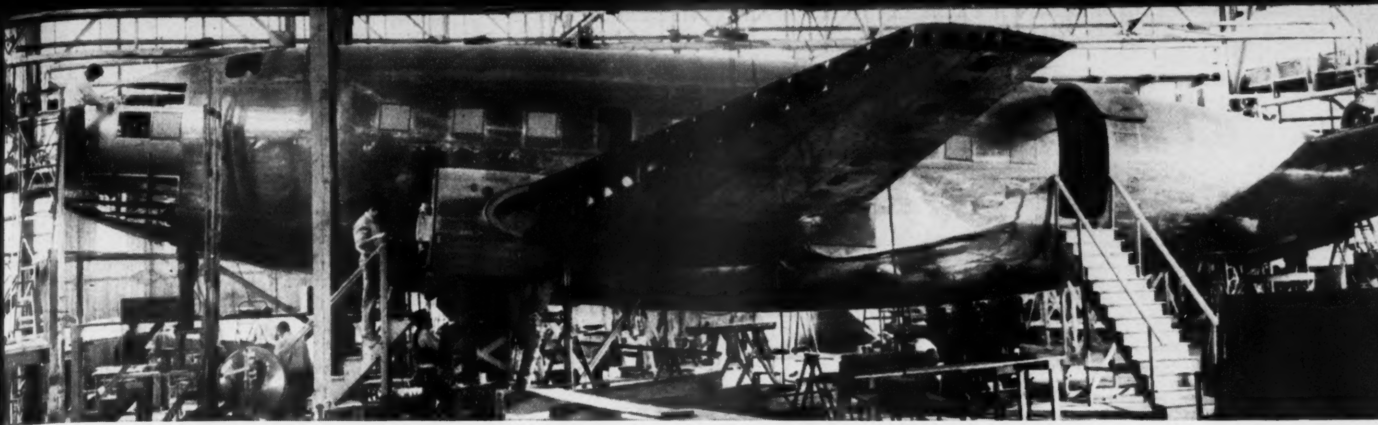


Per Cent of Companies For and Against Retention of Women Office Employees after Marriage—*National Industrial Conference Board—Married women are generally more welcome in manufacturing and mercantile concerns than in public utilities and financial establishments.*

staying on the job or leaving, without causing aspersions to be cast either on her reputation as a good wife or on her husband's ability to support her.

About 60 per cent of the 484 companies surveyed by the Conference Board on the matter of their policy in regard to retaining women employees after marriage reported that they placed no restrictions on office employees' continuing to work. Fifty-four per cent of the companies likewise encouraged or permitted factory employees to remain.

Definite policies forbidding women office employees to retain their jobs after marriage existed in 23 per cent of the companies. This percentage included, however, 25 insurance companies, 20 banks, and 30 public utilities, of which 84 per cent, 75 per cent, and 63 per cent, respectively, dismissed women employees when they married. Only 8 per cent of the companies demanded resignation from factory employees for the same reason. Definite encouragement or permission to retain positions after marriage was given to office employees in 69 per cent of the 372 manufacturing concerns surveyed, 58 per cent of the 26 mercantile concerns, and 86 per cent of the 7 brokerage houses.



SKY-DORMITORY—*Building America's largest twin-engined transport, the 75-foot Curtiss-Wright sleeper at St. Louis, Missouri. It will hold 36 persons, 6,000 lbs. of mail, cruise 4 miles up, at 3½ miles a minute.*

HERE *and* THERE *in* BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Stretches—A plastic which will stretch has been produced by research engineers of the Carbide and Carbon Chemicals Corporation, New York. First use of the new product is in "Elasti-Glass" belts, suspenders, and garters, marketed by S. Buchsbaum and Company, Chicago, Ill. These expand and contract with body pressure.

The new plastic is transparent, comes in colors. It is water-proof and perspiration-proof. It will withstand repeated folding and flexing, is tough, inert, and can be treated to resist oils, greases, gasoline, and alcohol. Made from "Vinylite" thermoplastic resin, it can be bonded to itself permanently by heat.

Mirrors—To silver a 12-foot mirror takes half an hour. But by a new process that same work is finished in 57 seconds. By the old method, silver was poured on the glass, then smoothed out or floated across the surface. To silver the same glass now, the metal is sprayed.

William Peacock, President of Peacock Laboratories, Philadelphia, Pennsylvania, developed the new formula for spraying. The Libbey-Owens-Ford Glass Company, Toledo, Ohio, purchased company and method, and intends to make the spray available to other companies. Evidently, mirrors will be made in less time; but there is still no known speed-up for shortening the time our daughters spend gazing into them.

Hour-Glass—A discovery which may affect insurance company tables for life expectancy has been made by two doctors at Johns Hopkins University, Baltimore, Maryland. They wondered why some families seemed blest with long life, while others were short-lived.

The doctors studied case histories of 2,332 adult males whose physical examinations had shown no trace of the malady which eventually killed them. They divided these records into two groups, one of men who lived longer than the average in life insurance tables, the other of those whose life was shorter than average. Then they studied the physical records of each group to find some factor constant for each. Did tall, thin men die first? Were fat men shorter lived, or was it the deep chest or the hollow chest that affected life expectancy?

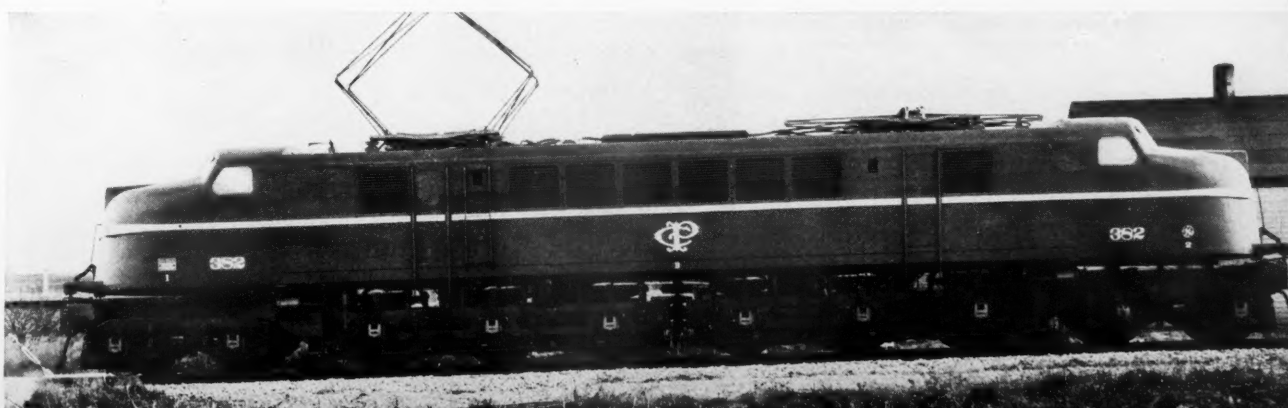
None of these seemed common to one group and lacking in the other. But the record of heart-beats told a different story. Hearts of the men who lived longest beat slower; and the middle-aged man whose heart beat faster than 72 a minute didn't reach the average year for his age group. This wasn't true in every case; there were exceptions. But generally, the study seems to show that a healthy man's heart is his hour-glass: the faster it runs, the shorter his time.

Reflective—Last year two research scientists, working independently, announced the discovery of methods for reducing the losses caused by reflection when light passes through glass. Bausch & Lomb Optical Company, Rochester, N. Y., reports that the first commercial product using nonreflective glass is a movie projection lens, which gives marked improvement in image contrast and sharpness of focus.

One of the first uses of the new lenses was to freshen the blushes of Scarlett O'Hara in 25 Loew's theaters. Unreflecting glasses boost screen illumination from 15 to 40 per cent, depending on their type and focal length.

The nonreflective coatings are the

ELECTRIC—*GE-built, D.C. passenger locomotive, world's most powerful, 93 mph, 4,000 hp; one of four shipped to Brazil.*



thickness of a quarter-wavelength of light; thinner than a Rhett Butler alibi. Light reflections neutralize one another because the crest of one wave fills the trough of another.

Wages—Under the Income Security and Layoff Benefit Plans announced last year by General Motors, 90 per cent of wage advances made to 34,000 employees of the General Motors Corporation have been liquidated already. The advances amounted to more than $1,500,000.

Several modifications have been made in plan details for 1940. Workers aged 64 won't be eligible; retirement and old age benefit payments are too near. Total payments will be limited to 360 hours' earnings at an employee's most recent rate of pay.

After three years, unrepaid or unearned advances will be cancelled and the employee not expected to earn or work out the amount.

As in 1939, advances will not bear interest, are compensation for future work rather than loans, and will be cancelled if the employee dies.

Nylon—Although experiments with E. I. du Pont de Nemours & Co., Inc., nylon fabrics have shown it would be possible for women to dress from turban to toe in the Delaware silk, there isn't much chance you'll be taking nylon-draped ladies to lunch for some time. Demands from full-fashioned hosiery manufacturers are expected to take care of present production.

Du Pont, incidentally, doesn't make the hose, only spins the synthetic thread. Present production at Seaford, Delaware, (DUN'S REVIEW, January, 1940) is about 30 per cent of ultimate capacity.

By late Summer, the company hopes to attain production at a rate of 4,000,000 pounds a year. About May 15, retailers will have limited quantities of the hosiery on sale.

Blazed Ice—Back when an Indian war cry was more than a movie sound effect, pioneers blazed trails through the wilderness by marking trees; but the current method requires orange and black dye. At least, that's the verdict of Admiral Richard E. Byrd, whose menagerie of transportation is playing lose-me across Antarctic ice fields this Spring.

Orange and black colors have the greatest visibility and prominence against ice glare. From a plane,

WARMTH-TEST—*Developed by the United States Testing Company, Inc., Hoboken, New Jersey, this warmth-testing machine measures heat retained in textiles. Cloth samples are placed on a copper plate heated to skin temperature. Exposed surface is chilled and cold winds fan it. Electricity required to keep copper plate at skin heat is measured, converted into a coefficient, compared with coefficients for other cloths.*

CKAGE—*Larus and Brother Company, Richmond, Vir-nia, packs Edgeworth Tobacco in pouches. Twin sheets aluminum foil sandwich a layer of flexible Pliofilm. ellmar Products Company, Mt. Vernon, Ohio, makes it.*

orange stands out better against snow than any other color. Although our man Halsey has suggested that the Admiral may dye his white-breasted penguins orange and drop them as trail markers, truth is that the expedition colors its tents and flags, using regular Diamond dyes made by the Wells and Richardson Company, Inc., Burlington, Vermont.

Pooled—During the special Bargain Package campaigns conducted by Consolidated Edison Company of New York, Inc., (DUN'S REVIEW, November, 1939), the utility's profits on sales of these packages are poured into a special pool. At specified times during the campaign, dealers who signed up with Edison to sell the same offer have some extra gravy to mop up: Consolidated Edison gives them its own profits.

Each dealer dips into the pool in proportion to his sales volume. Thus, without additional expense, he benefits from sales made by several thousand Edison employees. Meanwhile, the sponsoring utility views with creative glee more and more pieces of new electrical apparatus humming with its kilowatts.

Tension—Putting sounds to work detecting undue strains on wire rope is the job for a new product of the Hazard Wire Rope division, American Chain & Cable Company, New

PIROUETTE—*217 lb., all-aluminum sailboat designed by W. Starling Burgess, built by Aluminum Co. of America.*

York. The gadget is called a Hazard Tension Meter.

Many people know that a wire rope under stress gives off a musical note if vibrated. For several years, yachts challenging for the America's Cup have had an apparatus to balance the strain on rigging by sound. Hazard Wire Rope engineers worked one out to sell yachtsmen at a relatively low price.

The tension meter is a metal sounding box carrying a wire string and tuning key. A user clamps the meter to his rope. Plucking both the sounding string (which has been tuned from an ordinary pitch pipe) and the wire rope, he compares the two notes, finds at what fret on the sounding board they are identical, and reads from a table the stress borne by a cable which produces that musical note.

Ham Radio—Since the war began, except in Africa, Tibet, and South America, most neutral countries have forbidden amateur short wave radio transmission. But by the grace of stringent self-regulation, amateurs in the United States still operate.

Over this nation are scattered about 40,000 independent, amateur, short wave operators (called "hams"). Many are still high school students. Their good behavior has kept the short wave channels open. *QST*, the radio operators' hobby magazine, says that powerful foreign stations have used American wave lengths to CQ (contact) "hams" for a "rag-chew" on war news and home opinion; but our stations won't bite. Operators belong to the powerful American Radio Relay

League, Inc., West Hartford, Connecticut, founded by the late Hiram Percy Maxim. Its officers last Fall persuaded the FCC that America's amateur wave lengths would carry no talk of the war god and his twin satellites, rumor and prejudice. If there is, it may be 73 (sign-off symbol) for the whole nation of "hams."

Read on the Run—If you want to know about the latest fad in music, possible successor of swing and jam, ask about "Boogie-Woogie," a sort of pulse beat on piano keys. It has already been "pressed" on "platters" by various record manufacturers. . . . The first Allied food purchase order placed in this country was reported to be for $11,000 of dried beans—what an army's stomach travels on. Candidates for a machine gun will consider this an argument against war.

American Airlines ran its 1,000,000th passenger from hither to home in 1937, its tenth year of operation; but wafted passenger number 2,000,000 only two years, seven months later. . . .

PREMIUM—*Pop wilts under a barrage of treble voices crying for Pinocchio faces; a shift in premium pressure.*

"Times," a new Arrow shirt model, snaps shut at the collar instead of buttoning. It uses a gripper device similar to that on shorts. It also has a streamlined tail that curves around the masculine hip. Cluett, Peabody & Co., Inc., Troy, New York, introduced it in Buffalo, New York. . . . RCA is marketing phonograph needles, guaranteed for 1,000 playings, at $1 each.

THE BUSINESS BOOKSHELF

BUSINESS . . . FINANCE . . . ECONOMICS . . . GOVERNMENT

FOR readers who seek a brief, non-technical explanation of the *why*, the *what*, and the *how* of the principal laws which define the permissive area of business action, there appears now *How Government Regulates Business* (Dynamic America Press, 120 pages, $2).

The fourteen chapters were originally a series of weekly addresses over New York City radio station WNYC by a dozen lawyers, economists, and others whose experience had given them special knowledge of their several subjects.

Organizer of the series and author of three of the speeches was lawyer Mark Eisner, formerly Collector of Internal Revenue and one-time Chairman of the Board of Higher Education of the City of New York. On his panel were Blackwell Smith, Irving Fox, Burton A. Zorn, Robert E. Freer, H. Gregory Thomas, Q. Forrest Walker, Alexander B. Royce, Abraham H. Cohen, Arthur T. Vanderbilt, Milton Handler, and Mabel L. Walker.

The Laws

Their subjects were the major anti-trust, labor, price, and consumer-protection laws, the administrative process, and taxes which regulate business.

Necessarily the speeches, now chapters, were brief. They were delivered, for the most part, in simple, informal style. Though transformed now into a more permanent record, they have been set down without changes or amendments.

Thus they result in an easily read summary of pertinent facts and attitudes. What *How Government Regulates Business* lacks in intensiveness of treatment—and it makes no pretensions in this direction—is in good part com-

CURRENT READING

BOOK	SUMMARY
THE BUSINESS MAN'S STAKE IN GOVERNMENT FINANCE, by Harley L. Lutz. Stamford University, 119 pages, paper bound.	Reprints a series of lectures delivered before the Stamford Business Conference in July, 1939, by the author, a professor of public finance at Princeton University.
CAPITALISM THE CREATOR, by Carl Snyder. Macmillan, 420 pages, $3.75.	The economic foundations of modern industrial society. After almost continuous industrial growth over the past two centuries expansion has ceased, principally—the author holds—because of mismanagement of credit and banking.
BANK MANAGEMENT CONTROL, by E. S. Wooley. George S. May Co., 152 pages, $5.	Directs thinking toward specific ways by which bank management may increase its net profit through decreasing expense items; interesting and factual.
THE PROTECTION OF AMERICAN EXPORT TRADE, by Francis B. Sayre. University of Chicago Press, 93 pages, $1.50.	The Trade Agreements Act of 1934 is considered against an historical background of American trade and tariff policies by a former official of the United States Department of State.
BUDGET PRINCIPLES AND PROCEDURE, by John R. Bartizal. Prentice-Hall, 219 pages, $3.65.	This text covers many types of budgeting; for sales, production, materials, purchases, labor, service, inventories, cash, and administrative expense.
CANADA, 1940. Dominion Bureau of Statistics, Department of Trade and Commerce, 202 pages, $.25.	A handbook recording the recent progress and present economic condition of the Dominion of Canada in text, tables, charts, and pictures.
MANUFACTURERS' PRODUCT, PACKAGE, AND PRICE POLICIES, by A. W. Frey. Ronald Press, 429 pages, $4.50.	"Merchandise Management"—concerned with product, price, and package problems—is treated as a division of management distinct from sales, advertising, or production management; based on actual business practices.
THE END OF ECONOMIC MAN, by Peter F. Drucker. John Day, 268 pages, $2.50.	A study of Europe's changing order and the breakdown of old ways. The absence of anything to replace them brought fascism. Will there be a new order? On what basis?
OPERATION ANALYSIS, by Harold B. Maynard and G. J. Stegemerten. McGraw-Hill, 298 pages, $3.	Describing procedures for operation analysis, it discusses recent advances in methods analysis and aims at successful use by any industrial supervisor.

pensated by a reciprocal sort of usefulness: Its very brevity enables one to survey the subject more quickly and discern more readily the relationships between the parts and the whole.

WHILE economists have been plumbing the seas and reefs of distribution costs with graph line and tabulation, seeking significant data of larger scope, a book treating the subject as one phase of a business's internal operations has been prepared for sales executives and accountants. *(The Analysis and Control of Distribution Costs,* by J. Brooks Heckert, Ronald Press, 420 pages, $5.)

Author Heckert, CPA, an associate professor of accounting at Ohio State University, suggests the basic plan and procedures by which the ofttimes meager data on distribution costs may be increased. After two introductory chapters devoted to definitions and general problems of distribution cost analysis, the author fences in the segments of his subject and surveys each.

Mind and Eye

His discussion is rather clearer than found in many technical works, and the chapter headings point the eye to what the mind wants. They include method of distribution cost analysis; analysis by territories, commodities, channels, and selling methods; by customers, size of orders, and by organization and operating divisions.

Analyses made, the author moves to a discussion of standards and cost control. Finally, he explains development of a distribution cost budget, accounting methods to use, report making, and government regulations.

There are four appendices to the book. One summarizes the Twentieth Century Fund's estimates on total costs to the nation of distribution; the second has excerpts from the bulletin *Distribution Cost Accounting for Wholesaling,* published in 1939 by the U. S. Bureau of Foreign and Domestic Commerce; the third quotes section two of the Clayton Act as amended by the Robinson-Patman Act. In the fourth appendix are two Federal Trade Commission cases involving distribution cost accounting, the Bird & Son—Montgomery Ward & Company and the Standard Brands cases. In the latter, the author also quotes from an analysis by Herbert H. Taggert.

OVER THE EDITOR'S DESK

THIS month's report of the Survey of Business Trends is a preliminary one, subject to further sharpening as more returns arrive and get themselves edited, tabulated, and analyzed. More about it appears on page 19.

In the final report, scheduled for the May number, will appear not only separate estimates for retail trades (as in this first report), but also estimates for individual wholesale trades and manufacturing industries. Then later, some time in Midsummer, will come a further examination of retailers' 1939 experiences, a study which should be of special interest to national distributors and their missionary salesmen. It will present averages of operating expenses in about 50 retail trades.

BUSINESS men who were keeping abreast of the Clayton Act in 1936 were running a hard race. And so was observer Edwin B. George (pages 20-28).

In March of that year the Federal Trade Commission found, under Section 2 of the 1914 statute, that the Goodyear Tire & Rubber Company was unlawfully discriminating in price between customer Sears Roebuck & Company and other purchasers of tires. In the April, May, and June issues of this magazine Mr. George examined the decision lengthwise, crosswise, and diagonally—and such emphasis proved justifiable. For on June 19 the Robinson-Patman Act, amending and extending Section 2, became law.

Mr. George then turned his speculative attention to the amendment, worrying it (and, as we remember, it worrying him) for several thousands of words in the August issue. The year closed with congratulatory letters still coming in from the readers of reprints of the articles, which were published almost to the number of 100,000.

Now in the fourth year of the Clayton Act Amendment Mr. George reviews interpretations by the courts and the Federal Trade Commission in this month's article "The Robinson-Patman Act Begins to Acquire Meaning."

An economist in the Research and Statistical Division of DUN & BRADSTREET, INC., Mr. George has been a frequent contributor to this magazine. Readers whose acquaintance with DUN'S REVIEW runs back only a few months know him as author of a series of articles on concentration in American industry. Before that there appeared his characteristically thorough yet sprightly discussions of anti-trust law prosecutions, the Temporary National Economic Committee, and the Undistributed Profits Tax.

NEARER at hand is an article on another phase of advertising and merchandising by Arthur H. Little, to appear next month. Its subject is that goal of millions of coupon-savers: the premium. The article's scope: from B. T. Babbitt and Elbert Hubbard to Walt Disney (for more on this latest phase, see page 49).

IN PLANS for next month, too, is another article by Elmer Andrews (DUN'S REVIEW, February, 1940) on amendments to the Fair Labor Standards—wages and hours—Act of 1938.

ANOTHER article of the sort which DUN'S REVIEW publishes because it might otherwise be missed, the one by Lester Velie in February, "Lean Years for the Railroads," first appeared in the *Public Utilities Fortnightly*.

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